



# **NORTH YORKSHIRE COUNCIL**

## **2025/26 SCHOOL FUNDING A CONSULTATION PAPER**

**20 September 2024**

**Deadline for responses: Friday, 25 October 2024 (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 2025/2026. At this time, the DfE have not yet published school funding information for the 2025/26 financial year. In this respect, in order to ensure that 2025/26 school budgets can be published within the required timescales, North Yorkshire Council is undertaking a **principles-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 2024/25 financial year and the 2025/26 financial year.
- The methodology to be used to deal with any funding surplus or shortfall on the 2025/26 schools' block Dedicated Schools Grant (DSG) after the calculation of school budgets at National Funding Formula (NFF) values
- A transfer of 0.5% funding from the Schools Block DSG to the High Needs Block budget for the 2025/26 financial year

1.2 A separate consultation will be undertaken with special schools and academies on the level of the special school MFG for 2025/26.

1.3 The views of schools and academies provided through this consultation will be fed back to the North Yorkshire Schools Forum on 21 November 2024. This consultation will begin on 20 September 2024 and will close on 25 October 2024.

## 2.0 North Yorkshire Council 2025/26 School Funding Consultation

2.1 The principles-based 2025/26 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 MFG level; for the 2024/25 financial year this was between 0% and 0.5%.
- 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.

The North Yorkshire Schools Forum have approved the use of up to £500k from the Schools Block DSG Reserve and the use of any DfE Growth Funding in excess of £500k to off-set any funding shortfall; any funding shortfall amount above these amounts will need to be managed through capping and scaling.

- A request by the local authority to transfer 0.5% funding from the Schools Block DSG to the High Needs Block budget for the 2025-26 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.£20m by March 2025. 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 £6.5m in-year deficit estimated for the 2024/25 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 0.5% of the 2024-25 Schools Block funding equated to £2.2m; the proposed block transfer for the 2025/26 financial is expected to be a similar amount.

2.2 The school funding consultation for the 2025/26 financial year is principles-based due to the later DfE publication of the 2025/26 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 2025/26 school funding considerations in relation to:

- the level of the Minimum Funding Guarantee (MFG)
- the management of funding variances
- the 0.5% 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 2025/26 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 2025/26 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 above £500k:

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% from the Schools Block DSG to the High Needs Block budget for the 2025/26 financial year.

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:

**Your response needs to be submitted by: 5.00pm on Friday, 25 October 2024.**

**Sections 3 – 9 below of this document provide further detail of the 2025/26 School Funding proposals for schools and academies within North Yorkshire for the 2025/26 financial year.**

### **3.0 Background**

**3.1** At the time of issuing this consultation, the DfE have not yet announced the proposed school funding arrangements for the 205/26 financial year. At this stage, the date of the 2025/26 DfE school funding announcement is not known. In the absence of this information, and in order to ensure 2025/26 school budgets can be published within the required timescales, North Yorkshire Council is undertaking a principles-based school funding consultation.

**3.2** The local funding formula within North Yorkshire for the current 2024-25 financial year included the following key points in terms of the calculation methodology used:

- A Minimum Funding Guarantee of +0.5%
- Funding formula factor values based on the DfE National Funding Formula (NFF) values.

- The application of the mandatory minimum per pupil level (MPPL) funding values of £4,610 for primary schools and £5,995 for secondary schools.
- 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 funding transfer of 0.5% has been made from the Schools Block DSG to the High Needs Block DSG.
- Utilisation of the DfE Capping and Scaling methodology to ensure the overall affordability of school budgets within the 2024/25 Schools Block Dedicated Schools Grant (DSG). Funding gains have been capped at +1.7% and scaled at 100% i.e. any funding gain over +1.7% has been fully scaled back by 100% to zero. The use of Capping and Scaling does not impact on the MPPL funding levels.
- The application of a provision of £500k from the Schools Block DSG General Reserve to support 2024/25 school budgets.
- The implementation of an updated formula for the calculation of the Notional SEN Budget. The updated formula is deemed 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.

#### **4.0 2025/26 North Yorkshire School Funding Consultation**

4.1 The Government have previously allowed local authorities to locally set the MFG level within certain percentage parameters. In the 2024/25 financial year this was between 0% and +0.5% per pupil; the North Yorkshire Council level was set at the maximum level of 0.5%. 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.

It is assumed that the DfE will continue to utilise the MFG funding protection mechanism for the 2025/26 financial year.

***The school funding consultation seeks views as to whether the DfE minimum or maximum MFG level should be implemented for 2025/26***

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 2025/26 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 2025-26 school budgets, and the associated affordability within the 2025-26 schools block DSG funding provision cannot be finalised until the actual 2025-26 schools block DSG allocation is received in December 2024. 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 the Schools Block DSG Reserve and Growth Funding received from the DfE in excess of £500k 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 DfE Capping and Scaling methodology was used in North Yorkshire in the 2024/25 financial year to ensure the overall affordability of school budgets within the 2024/25 Schools Block Dedicated Schools Grant (DSG). Funding gains have been capped at +1.7% and scaled at 100% i.e. any funding gain over +1.7% has been fully scaled back by 100% to zero.

***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 2025/26 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 recommended that local authorities undertook a check of the notional SEN budget calculation for 2024-2025 to ensure that it is in line with the latest DfE guidance and that an annual review is then carried out subsequently. DfE also indicated that a validation check may be undertaken 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.
- 5.4 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.

5.5 A review 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 2023 census data and the 2024/25 notional SEN funding budget allocation. The results from the review are detailed below:

<b>North Yorkshire – Notional SEN Budget 2024/25 Funding Review</b>		
Total Number of Pupils on SEN Support	10,089	
SEN Support Pupils - Total Estimated Funding Requirement from the Notional SEN Budget based on DfE average cost assumptions		£35,311,500
Total Number of Pupils with an EHCP	2,024	
EHCP Pupils – Total Funding Requirement from the Notional SEN Budget based on Element 2 maximum funding value		£12,144,000
<b>Total Notional SEN Budget Funding Requirement for SEN Support Pupils and EHCP Pupils</b>		<b>£47,455,500</b>
<b>2024/25 Notional SEN Budget Funding Allocation</b>		<b>£47,686,361</b>
<b>Variance Notional SEN Budget Funding Allocation v Notional SEN Budget Funding Requirement</b>		<b>£230,861</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 2025/26 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.£20m by March 2025



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 in-year deficit on the High Needs Block for 2024-25 is estimated to be c.£6.5m 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 In 2020-21, the DfE introduced the ‘safety valve’ intervention programme for those local authorities with the very highest percentage Dedicated Schools Grant (DSG) deficits, to support these authorities to address the financial deficits. This support included providing the authorities with additional funding over time to contribute to their historic deficits, contingent on delivery of the reforms. The DfE expanded the ‘safety valve’ intervention programme to other local authorities during 2021-22 and it was extended further in 2022-23, with the programme being reshaped as “Delivering Better Value (DBV) in SEND Support Programme”. The programme continues to target those local authorities with the most substantial DSG deficits, on an iterative basis. North Yorkshire has been identified as one of 55 local authorities to receive support through the DBV programme. Through this programme, North Yorkshire receives support in the form of project management and change management capacity to develop a three-year transformational programme, with the DfE providing grants directly to North Yorkshire to enable the local authority to implement and embed reforms, with ongoing support and challenge by DfE officials.
- 6.3 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 0.5% from the Schools Block DSG to the High Needs Budget for the 2025/26 financial year must be considered as part of the overall financial recovery plan strategy for the High Needs Budget and reflects the shared responsibility for High Needs across the stakeholders within the sector. A funding transfer of 0.5% (£2.2m) was made from the Schools Block to the High Needs Block in the 2024/25 financial year; the proposed block transfer for the 2025/26 financial is expected to be a similar amount.

***The school funding consultation seeks views on the proposed transfer of 0.5% of funding from the Schools Block DSG to the High Needs Block for the 2025/26 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://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fonline1.snapsurveys.com%2Fr1rjgm&data=05%7C02%7CSally.Dunn%40northyorks.gov.uk%7C3309b4bd0519469411c908dcd8bb6d8a%7Cad3d9c73983044a1b487e1055441c70e%7C0%7C0%7C638623546703222675%7CUnknown%7CTWFpbGZsb3d8eyJWljiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6IjEhaWwiLCJXVCi6Mn0%3D%7C0%7C%7C%7C&sdata=qJGaBWC3cBNrN4UeexjqbYqrnAHlog3JKF1uZYHQ7Qk%3D&reserved=0>

**8.2 Your response needs to be submitted by: 5.00pm on Friday, 25 October 2024**

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 21 November 2024. 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 2025; 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