

# NORTH YORKSHIRE COUNCIL

## EXECUTIVE

7 JANUARY 2025

### MAINSTREAM SCHOOLS & SPECIAL SCHOOLS BUDGET

#### Report of the Corporate Director – Children and Young People’s Services

#### 1.0 PURPOSE OF THE REPORT

1.1 This report asks the Executive to agree a number of recommendations relating to mainstream school and special school funding for 2025/26, as required by guidance issued by the Department for Education (DfE).

#### 2.0 SUMMARY

2.1 The recommendations in respect of mainstream schools relate to:

- Applying a Minimum Funding Guarantee (MFG) of 0% in the calculation of mainstream school budgets for the 2025/26 financial year.
- The use of ‘Lump Sum’ factor as the methodology for the allocation to school budgets of any surplus funding available within the Schools Block Dedicated Schools Grant (DSG) after the calculation of the school funding formula using National Funding Formula (NFF) values.
- The use of a higher funding gains cap and higher scaling back percentage for managing the recovery of any funding shortfall on the Schools Block DSG after the calculation of the school funding formula using NFF values. In the event of any funding shortfall being too significant to manage through the use of the capping and scaling mechanism, the Corporate Director – Resources and the Corporate Director – Children & Young People’s Service, in consultation with the Chair of the Schools Forum, will determine a school funding methodology that delivers affordability within the 2025/26 Schools Block DSG and associated reserves.
- The inclusion of an exceptional circumstance lump sum of £50,000 for very small sparse secondary schools, which would otherwise be unable to attract sufficient funding to remain viable, in the 2025/26 North Yorkshire school funding formula.
- The transfer of 0.5% of funding from the Schools Block DSG to the High Needs Block (pending approval by the Secretary of State for Education).

2.2 These recommendations have been informed by the views of schools during a county-wide consultation and considered by the North Yorkshire Schools Forum.

2.3 The recommendations in respect of special schools, pupil referral units (PRU) and alternative provision settings relate to:

- The implementation of a MFG funding protection of 0% for special schools for the 2025/26 financial year; this funding protection level has been prescribed by the DfE. The MFG is not applicable to PRUs.

- Applying 0% to the Banded Funding allocations (top up/ 'element 3' allocations) received by mainstream and special schools and academies for the 2025/26 financial year.
- Applying 0% to the Banded Funding allocations (top up / element 3 allocations) received by pupil referral units and alternative provision settings for the 2025/26 financial year.
- Applying 0% to the factor elements within the Special school contextual funding for the 2025/26 financial year.

2.4 The report also asks the Executive to agree to continue to lobby central government for a fairer and more equitable funding settlement for schools and high needs in North Yorkshire.

### **3.0 BACKGROUND**

3.1 The Government's 30 October 2024 Budget announced total core school funding is increasing nationally by £2.3 billion in 2025/26. This includes funding through the schools NFF, high needs funding, Central School Services Block (CSSB) of the DSG, and pupil premium. Of the £2.3 billion increase in total schools funding, £1.3 billion will cover:

- the remaining costs of the 2024 teachers' pay award in mainstream schools, so that the full 12 months of salary costs are fully funded at a national level;
- an increase to the mainstream schools NFF; and,
- increases to the pupil premium and other elements of core funding.

3.2 Almost £1 billion of the additional £2.3 billion core school funding will be added to the overall high needs budget. In respect of this high needs funding allocation, the DfE are setting aside £480m for allocation through a 2025/26 Core Schools Budget Grant (CSBG) for special schools and AP, which will combine the high needs elements of the 2024/25 Teachers' Pay Additional Grant (TPAG), Teachers' Pension Employer Contribution Grant (TPECG) and full-year equivalent of the CSBG. In addition, the DfE have stated that they will also hold back a further £145m for allocations of high needs funding that are not calculated through the high needs NFF, and later NFF funding adjustments e.g., the impact of the October 2024 school census special school numbers used for the basic entitlement factor of the NFF, which is updated through the DSG allocations published in December 2024.

3.3 A summary of the DfE 2025/26 School National Funding Formula policy is as follows:

- The 2025/26 schools NFF will use the same factors as the 2024/25 NFF.
- The individual NFF factors for 2025/26 will operate in the same way as in 2024/25 except for some changes to the Private Finance Initiative (PFI) factor.
- The NFF in 2025/26 will continue to provide funding protections:
  - Minimum per pupil levels (MPPLs) - in 2025/26, MPPL values will remain compulsory in local authority funding formulae;
  - The funding floor - for 2025/26, split sites funding will sit outside the calculation of the funding floor. This means that split sites funding will properly reflect any changes in the organisation of schools' sites.

- The only structural changes being made to the NFF for 2025/26 are in relation to the PFI factor. The changes are:
  - providing pro-rata funding when a PFI contract is coming to an end in the financial year (such that funding is only provided for the part of the year when the contract is still in place), and;
  - setting conditions that local authorities would need to meet to receive above-inflation increases in PFI funding (with the expectation that these would be the exception). The default expectation will be that previous years' PFI funding through the NFF will be increased by the Retail Prices Index excluding mortgage interest payments (RPIX) measure of inflation. If local authorities want to request that the funding is increased by a higher amount, then they will need to submit an affordability model to DfE.
  
- Rolling in previous grants:
  - The teachers' pay additional grant (TPAG) and the teachers' pension employer contribution grant (TPECG) 2024 will be rolled into the NFF for 2025/26. The recently announced core schools budget grant (CSBG) will also be rolled into the schools NFF for 2025/26. For all three of the grants, the funding will be rolled in following a very similar approach to previous grants. That is:
    - Adding cash amounts to the primary, key stage 3 and key stage 4 per pupil funding factors in the schools NFF, to represent the equivalent amounts in the grants.
    - Adding cash amounts to the primary and secondary FSM6 factors, and the lump sum, in the schools NFF, to represent the equivalent amounts in the grants.
    - Adding cash amounts to the minimum per pupil funding levels (MPPLs) for primary, KS3 and KS4 respectively, to reflect the average per pupil amount of funding that schools attracted through the preceding grants.
    - Adding an amount representing the total funding each school received through the preceding grants on to its baseline, which is used to calculate funding protection for the schools through the funding floor.
  - For TPAG and TPECG, the funding rolled in to the NFF will use the published funding rates directly.
  - For CSBG, the DfE will take a slightly different approach to rolling-in this funding to the NFF. This is because the total funding in the CSBG in 2024/25 is calculated to match, at a national level, the funding needed to meet the full-year cost of the support staff pay award, as well as the part-year cost of the 2024 teachers' pay award (from September 2024). Therefore, to roll in this funding, the DfE will calculate the full year equivalent of the whole of the CSBG, and then calculate new (higher) full-year equivalent funding rates from this new total. The cash values rolled into the NFF in 2025/26 will then reflect these full-year equivalent funding rates.
  
- Factor values have been increased to take account of the rolling in of these grants, and the remaining funding available for schools in 2025/26. The floor is 'cash flat' at 0%, after taking account of the funding that schools received through TPAG, TPECG and CSBG in 2024/25.

- The DfE anticipate that further funding, in respect of the increase in employers' National Insurance contributions, will be provided in 2025/26 by a grant outside the NFF. DfE have also verbally indicated that affordability discussions will be undertaken with Treasury in respect of the 2025/26 teacher's pay award once the School Teachers Review Body pay recommendations are published.

3.4 2025/26 local authority local school funding formulae arrangements are summarised as follows:

- As in previous years, local authorities will be responsible for deciding local funding formulae for mainstream schools in their area. The funding levels that schools – both maintained schools and academies – receive will be determined by the respective local formulae.
- Minor technical adjustments will be made to the operation of the minimum funding guarantee (MFG), whereby both split sites and PFI funding will be excluded from the MFG calculation. This brings the MFG treatment of these factors in line with the NFF and ensures that increases or decreases in a school's split site and /or PFI funding does not impact other aspects of their funding.
- When setting their local formulae, local authorities must set the MFG between -0.5% and 0%.
- Local authorities will again be able to transfer up to 0.5% of their total schools block allocations to other blocks of the DSG, with Schools Forum approval. A disapplication will continue to be required for transfers above 0.5%, or for any amount without Schools Forum approval.
- There are 16 allowable funding factors in 2025/26, most of which are compulsory for all local authorities. The compulsory factors are unchanged from 2024/25. The requirements on allowable values for these factors in local formulae will be confirmed alongside the NFF allocations publication.

3.5 The 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. North Yorkshire Council undertook a significant review of the notional SEN budget calculation and consulted schools on a number of proposed changes in the 2024/25 financial year. 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.

3.6 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. 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 2023 census data

against the 2024/25 notional SEN funding budget allocation. That analysis highlighted that based on the latest 2023/24 pupil data, the 2024/25 notional SEN budget allocation broadly reflects the estimated notional SEN funding requirement within North Yorkshire. In this respect it was not considered necessary to review the notional SEN budget funding formula calculation for the 2025/26 financial year. The funding formula calculation will be reviewed annually to ensure that it continues to reflect the levels of pupils with SEN requirements in mainstream schools with North Yorkshire.

- 3.7 A 0.5% transfer of funding from the Schools Block to the High Needs Block budget is proposed for the 2025/26 financial year. North Yorkshire Council is forecasting a cumulative budget deficit of c.£19m on the High Needs budget by 31 March 2025. 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 2025/26 is estimated to be £7.6m 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 DfE. If confirmed, this would increase the accumulated deficit to c.£27m by March 2026. If the 0.5% block transfer is not confirmed/approved, the accumulated deficit will be c.£29m by March 2026.
- 3.8 The local authority was previously identified as one of 55 local authorities to receive support through the DfE's Delivering Better Value (DBV) in SEND programme. Through the programme North Yorkshire has received support, in the form of project management and change management capacity to develop a three-year transformational programme to address the financial pressures on the High Needs budget, with the DfE providing a grant directly to North Yorkshire to enable the local authority to implement and embed reforms, with ongoing support and challenge by DfE officials. Given the significance of the levels of concern, at both local authority level and national DfE level, in relation to the High Needs Block 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 strategy for the High Needs Block Budget.
- 3.9 Minimum Funding Guarantee (MFG) is a protection for special schools against seeing a reduction in funding from year to year assuming that the number and type of places remain the same. For 2025/26, DfE have prescribed that the MFG protection level for special schools must be set at 0%. The DfE notification of this prescription was provided in November 2024, subsequent to the 2025/26 North Yorkshire Special School & Alternative Provision Funding consultation which was undertaken in September/ October 2024.
- 3.10 In practical terms and, if required, the Council will utilise the mechanism - allowed by the DfE - of capping and scaling, to ensure the local school funding formula based on mainstream NFF formula factors values as issued by the DfE in published notional budgets is affordable within the constraints of the final agreed funding envelope.

#### **4.0 MAINSTREAM SCHOOL FUNDING**

- 4.1 A local funding consultation (**see section 10**) requested the views of mainstream schools and academies on the following areas:

- 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 budget;.
- A transfer of 0.5% funding from the Schools Block DSG to the High Needs Block budget for the 2025/26 financial year

4.2 The consultation results are detailed in the table below:

| <b>Option</b> | <b>MFG %</b>   | <b>No. Responses Received Supporting Option</b> | <b>No. Schools Represented in Responses Supporting Option</b> |
|---------------|--|---|---|
| Option 1      | Minimum DfE Threshold (-0.5%)  | 10  | 12  |
| Option 2      | Maximum DfE Threshold (0%)   | 14  | 38  |
|               |  | <b>24</b>                                       | <b>50</b>   |
| <b>Option</b> | <b>Methodology for the Allocation of Any Surplus Funding</b>                                 |   |   |
| Option 1      | Age Weighted Pupil Unit (AWPU) values increased  | 13  | 15  |
| Option 2      | Lump Sum Formula Factor Value increased  | 11  | 35  |
|               |  | <b>24</b>                                       | <b>50</b>   |
| <b>Option</b> | <b>Methodology for the Operation of Capping and Scaling to Recover Any Funding Shortfall</b> |   |   |
| Option 1      | A lower gains cap percentage and a lower scaling back of gains percentage                    | 11  | 21  |
| Option 2      | A higher gains cap percentage and a higher scaling back of gains percentage                  | 13  | 29  |
|               |  | <b>24</b>                                       | <b>50</b>   |
| <b>Option</b> | <b>Proposed Transfer of 0.5% from the Schools Block DSG to the High Needs Block</b>          | <b>No. Responses Received Supporting Option</b> | <b>No. Schools Represented in Responses Supporting Option</b> |
| Option 1      | Supported  | 15  | 31  |
| Option 2      | Not Supported  | 9   | 19  |
|               |  | <b>24</b>                                       | <b>50</b>   |

4.3 In 2018/19, the view was expressed by the North Yorkshire Education Partnership (now Schools Forum) to implement a funding formula that reflects the NFF principles and the associated transitional arrangements. A MFG level at the maximum threshold best reflects the DfE 'direction of travel' and is likely to reflect the level of funding increase provided by the DfE to the minimum per pupil level funding. In terms of the distribution methodology for the allocation to school budgets of any surplus funding

available within the Schools Block after the calculation of the school funding formula using NFF values, a lump sum methodology would generally benefit smaller schools and an AWPU methodology would generally provide greater funding benefit to larger schools. The impact of the capping and scaling methodology is generally: 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 setting of the MFG level is the prime decision, with the decision on the methodology for the management of any surplus or shortfall in funding allocation representing a secondary consideration.

4.4 The majority of schools responding to the 2025/26 North Yorkshire School Funding Consultation supported the proposal to transfer 0.5% funding from the Schools Block to the High Needs Block. Whilst the local authority recognises the current financial pressures on school budgets, the local authority has a corporate duty to address the forecast budget overspend of c.£19m on the High Needs Block by 31 March 2025. In this respect, the local authority sought approval from the Schools Forum for the transfer of 0.5% (estimated c.£2.3m) of funding from the Schools Block to the High Needs Block. In order to partially mitigate the impact of the proposed transfer on school budgets, the following support measures were proposed by the local authority and agreed by the Schools Forum in September 2024:

- The utilisation, if required, of any 2025/26 NFF Growth Funding available after a £500k contribution to the New Schools Reserve Fund, to fund any shortfall in the 2025/26 Schools Block (adjusted for any agreed block transfer) after the calculation of 2025/26 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG).
- Distribution of up to £0.5m from the Schools Block DSG General Reserve to school budgets in the event of a funding shortfall on the 2025/26 school budget calculation
- The funding of the de-delegated contingency budgets associated with Schools in Financial Difficulties, School Redundancy Costs Contribution and Unreasonable School Expenditure from the associated reserves for the 2025/26 financial year.

4.5 The North Yorkshire Schools Forum considered the results of the 2025/26 School Funding Consultation at their meeting on the 21 November 2024. The Schools Forum supported:

- A MFG of 0% for 2025/26
- The use of Lump Sum as the methodology for the allocation to school budgets of any surplus funding available within the Schools Block DSG after the calculation of the school funding formula using NFF values.
- The use of a higher funding gains cap and higher scaling back percentage for managing the recovery of any funding shortfall on the Schools Block DSG after the calculation of the school funding formula using NFF values.

4.6 Whilst the Schools Forum acknowledged the significant funding pressures on the High Needs Block, and the results of the school funding consultation which supported a block transfer, the Schools Forum voted against:

- The local authority proposal to transfer 0.5% of funding from the Schools Block DSG to the High Needs Block for the 2024/25 financial year.

The Chair of the Schools Forum provided the following comment:

*“Given the continued challenging position in schools with regards finance generally and also with regard to meeting increasing frequency and complexity of student need, the Schools Forum do not feel able to recommend a block transfer from Schools Block to High Needs in 2025/26. The shared view of all schools and academy representatives present at Schools Forum continues to be that High Needs Funding income in North Yorkshire is inadequate and that the funding systems nationally are poorly structured, in acute distress and impact negatively on our authority. We recognise that the local authority will go on to seek dis-application from the Secretary of State for this block transfer. Furthermore, we recognise the challenging position faced by North Yorkshire Council and the various mitigating measures in place to impact on the High Needs Funding deficit and offset in part the impact of a block transfer should it be approved.”*

- 4.7 The DfE school funding regulations make provision for local authorities to submit a disapplication request to the Secretary of State for approval a transfer of funding from the Schools Block to the High Needs Block in the circumstance where a local authority’s request is not supported by the Schools’ Forum. North Yorkshire Council submitted a disapplication to the Secretary of State for the transfer of 0.5% funding from the Schools Block to the High Needs Block for the 2025/26 financial year. At the time of publishing this report, the decision on the disapplication request for a 0.5% block transfer was unknown (i.e., no decision had been communicated by the Secretary of State).
- 4.8 At its September 2024 meeting, the North Yorkshire Schools Forum supported the submission of an application to the DfE to include an exceptional circumstance of up to £50,000 for very small sparse secondary schools, which would otherwise be unable to attract sufficient funding to remain viable, in the 2025/26 North Yorkshire school funding formula. 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

The DfE have confirmed approval of the application request. At this stage, it is considered that no schools will be eligible to receive this funding.

## **5.0 SPECIAL SCHOOL FUNDING**

- 5.1 Special school funding arrangements for 2025/26 will be impacted by a combination of:
- uplift factors applied to Banding allocations (for top-up funding)
  - uplift factors applied to Contextual Funding
  - the specific operation of the Minimum Funding Guarantee in the Special school sector at a national level, and local level.
- 5.2 Consideration of Special School funding arrangements needs to be undertaken within the context of the position on the High Needs budget remaining extremely pressured. The estimated in-year financial pressure in 2025/26 is in the order of £7.6m that will



add to the estimated accumulated High Needs Deficit of c.£19m as at 31 March 2025. Unchecked, this will lead to an accumulated deficit of c.£27m by 31 March 2026 – this estimate is net of a number of mitigations actions including the Block transfer. Projections beyond 2025/26 show an increased number of children and young people assessed as requiring an Education Health and Care Plan with an associated increase in pressure on the High Needs budget. This financial pressure is felt across the SEND system in North Yorkshire and represents an unsustainable position for mainstream schools and academies, special schools and special academies, other settings and provision for children and young people with additional needs and the local authority.

- 5.3 The local authority is aware and acknowledges the financial pressure facing special schools and has sought to ensure protection and investment for the sector, balanced against the very challenging High Needs funding settlement for North Yorkshire as a whole. Any decisions around the funding for Special Schools in North Yorkshire need to be in conjunction with participation in the Delivering Better Values in SEND programme.
- 5.4 Minimum Funding Guarantee (MFG) is a protection for special schools against seeing a reduction in funding from year to year assuming that the number and type of places remain the same. For 2025/26, the DfE have prescribed that the MFG protection level for special schools must be set at 0%. This DfE notification was provided in November 2024 and was subsequent to the North Yorkshire Funding Consultation undertaken with Special Schools in September/ October 2024 on the level of the MFG for 2025/26. In respect of the DfE prescription on the level of the 2025/26 MFG, no local decision is now required on this issue. The Special School MFG is not applicable to Pupil Referral Units (PRU). The estimated cost of the application of the 0% MFG for 2025/26 is £75k, based on current pupil levels at North Yorkshire special schools.
- 5.5 It needs to be noted that the final value of MFG may change significantly by the point that the actual budget determinations are made (due to changes in pupil numbers, commissioned place numbers and/or changes in the assessed needs of the pupils).
- 5.6 The DfE High Needs guidance makes no provision for the application of the MFG for alternative provisions.
- 5.7 It is proposed that 0% will be applied to Element 3 top-up funding and the contextual funding received by Special Schools for the 2025/26 financial year. In determining the proposed annual change, the local authority is very mindful of both the significant inflationary pressures being experienced by schools and the deficit position on the local authority High Needs Block funding. The proposed increase is reflective of the DfE NFF increase for mainstream schools for the 2025/26 financial year. This proposed rate of increase will be applied to Special Schools, mainstream schools, and other settings in receipt of High Needs funding.
- 5.8 The new rates of funding are detailed below; these rates will apply across all settings in receipt of top-up funding.

|        | Funding Rates<br>2024/25 | Funding Rates 2025/26<br>(applying 0% increase) |
|--------|--------------------------|---|
| Band 3 | £0                       | £0  |
| Band 4 | £1,850                   | £1,850  |
| Band 5 | £4,070                   | £4,070  |
| Band 6 | £5,880                   | £5,880  |

|         |         |         |
|---------|---------|---------|
| Band 7  | £8,990  | £8,990  |
| Band 8  | £10,740 | £10,740 |
| Band 9  | £14,900 | £14,900 |
| Band 10 | Bespoke | Bespoke |

- 5.9 It is proposed to increase the factor elements within the Contextual Funding by the 0%.
- 5.10 The application of 0%, proposed to be applied to the banded funding rates, is also proposed to be applied to the top-up funding allocation of £9,178 for pupil referral unit (PRU) and alternative provision (AP) settings for the 2025/26 financial year.

## 6.0 FINANCIAL IMPLICATIONS

- 6.1 The required funding for school budgets and high needs is provided from the Schools Block DSG, the Schools Block DSG Reserve and the High Needs Block DSG. There is no direct impact on the Council's budget as a result of the proposals detailed for mainstream school budgets for the 2025/26 financial year. Whilst the local authority does not directly fund the shortfall in high needs funding, a prudent approach has been adopted to establish a 'mirror' reserve to ensure there is sufficient reserve funding to meet the accumulated deficit. An appropriate revenue contribution will, therefore, be determined as part of the Council's Budget 2025/26 and Medium-Term Financial Strategy in February 2025.
- 6.2 There is an impact on individual schools in terms of how the funding will be allocated. No mainstream school will receive less than the mandatory Minimum Per Pupil Level (MPPL) of funding.
- 6.3 The proposed school funding arrangements will provide the maximum funding guarantee for 2025/26 permitted within the parameters established by the Department for Education. The funding outlook remains challenging for a number of schools - particularly small, rural secondary schools and special schools. The local authority continues to lobby for a fairer funding deal for schools in North Yorkshire, particularly those rural schools who cannot achieve the economies of scale of their more urban counterparts, whilst delivering a broad curriculum. The local authority continues to support, challenge and, where necessary, intervene in schools to ensure the continued delivery of good quality education in financially sustainable schools.
- 6.4 In regard to the proposed 0.5% block transfer, if this is not approved, either by Secretary of State or by the Executive, this will effectively increase the accumulated deficit on the High Needs Block budget by £2.3m as the 2025/26 in-year projected High Need Block deficit of £7.6m is predicated on the approval of the transfer.

## 7.0 LEGAL IMPLICATIONS

- 7.1 No specific legal implications are identified as a result of the recommendations contained within this report. The DfE have a deadline of 22 January 2025 for the submission of mainstream school budgets (following political approval).

## 8.0 EQUALITIES IMPLICATIONS

8.1 Equality Impact Assessments (EIA) has been completed in respect of the proposals contained within this report. It is anticipated that there will be no impact on any persons with protected characteristics as defined by the Equality Act 2010. The EIAs are provided in **Appendix 1**.

## 9.0 CLIMATE CHANGE IMPLICATIONS

9.1 Climate Change Impact Assessments (initial screening form) have been completed in respect of the proposals contained within this report. There are no specific climate change implications identified with the proposals.

## 10.0 CONSULTATION UNDERTAKEN AND RESPONSES

10.1 A consultation was undertaken with all mainstream schools and academies in North Yorkshire, following discussions with the North Yorkshire Schools Forum.

10.2 This consultation lasted from 20 September 2024 until 25 October 2024. 24\* responses have been received to the Consultation, as shown below.

|                         |       |
|-------------------------|-------|
| LA Maintained Primary   | 13    |
| LA Maintained Secondary | 4     |
| Primary Academy         | 2     |
| Secondary Academy       | 2     |
| Academy Trust           | 3     |
|                         | <hr/> |
|                         | 24    |
|                         | <hr/> |

(50 schools and academies are represented in the responses received providing an overall response rate of 14.84% (9.5% LA maintained schools, 20.89% academies). 287 schools / academies are not represented in the consultation responses.

Three academy trusts have responded to the consultation representing 3, 9, and 17 North Yorkshire academies respectively.

\*Duplicate, anonymous and non-mainstream responses have been disregarded from the consultation results.

## 11.0 REASONS FOR RECOMMENDATIONS

11.1 The local authority is responsible for operating a local school funding formula for mainstream schools and academies in line with the National Funding Formula, Schools and Early Years Finance Regulations and Schools operational guide: 2024 to 2025. The local authority must also engage in open and transparent consultation with all maintained schools and academies in their area, as well as with their Schools Forum, about any proposed change to their local funding formula. The local authority is responsible for making the final decisions on their formula including ensuring sufficient time to gain political approval before the authority proforma tool (APT)

deadline in January 2025. Political approval means approval in line with the local authority's local scheme of delegation; the schools forum does not decide on the formula.

- 11.2 Within this framework, the local authority must make some decision prior to the January 2025 deadline in respect of:
- Minimum Funding Guarantee for mainstream school funding for 2025/26;
  - the funding approach to an overall deficit or surplus on the available DSG allocation (which will not be known until late in December 2024);
  - the inclusion of an exceptional lump sum of £50,000 for very small, sparse, secondary schools within the local formula for 2025/26;
  - the proposed Block transfer of funding from Schools Block to the High Needs Block for 2025/26;
  - any changes to the banded funding/E3 top-up funding or funding framework for 2025/26

## RECOMMENDATIONS

- 12.1 The Council's Executive is asked to note the contents of this report, and to agree:
- a. That the Council applies a Minimum Funding Guarantee (MFG) of 0% in the calculation of mainstream school budgets for the 2025/26 financial year.
  - b. That the Council uses Lump Sum as the methodology for the allocation to school budgets of any surplus funding available within the Schools Block DSG after the calculation of the school funding formula using National Funding Formula (NFF) values for the 2025/26 financial year
  - c. That the Council uses a higher funding gains cap and higher scaling back percentage for managing the recovery of any funding shortfall on the Schools Block DSG after the calculation of the school funding formula using NFF values for the 2025/26 financial year. In the event of any funding shortfall being too significant to manage through the use of the capping and scaling mechanism, the Corporate Director – Resources and the Corporate Director – Children & Young People's Service, in consultation with the Chair of the Schools Forum, will determine a school funding methodology that delivers affordability within the 2025/26 Schools Block DSG and associated reserves.
  - d. That the Council includes an exceptional circumstance lump sum of £50,000 for very small sparse secondary schools (which would otherwise be unable to attract sufficient funding to remain viable) in the 2025/26 North Yorkshire school funding formula.
  - e. That, pending confirmation of Secretary of State approval, the Council transfers 0.5% of funding from the Schools Block Dedicated Schools Grant (DSG) to the High Needs Block.
  - f. That the Council applies MFG funding protection of 0% for special schools for the 2025/26 financial year, as prescribed by the DfE.

- g. That the Council applies 0% to the Banded Funding allocations (top up/ 'element 3' allocations) received by mainstream and special schools and academies for the 2025/26 financial year.
- h. That the Council applies 0% to the Banded Funding allocations (top up / element 3 allocations) received by pupil referral units and alternative provision settings for the 2025/26 financial year.
- i. That the Council applies 0% to the factor elements within the Special school contextual funding for the 2025/26 financial year.
- j. That the Council will continue to lobby for a fairer and more equitable funding settlement for schools in North Yorkshire. We will also continue to lobby for a fairer settlement of High Needs resources.

Stuart Carlton  
Corporate Director – Children and Young People’s Service  
County Hall  
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7 January 2025

Author of report – Howard Emmett, Assistant Director, Resources  
Presenter of report – Howard Emmett, Assistant Director, Resources

Appendix 1 – Equality Impact Assessment – 2025/26 School Funding Consultation  
Appendix 2 – Initial Climate Change Impact Assessment – 2025/26 School Funding Consultation  
Appendix 3 – Initial Climate Change Impact Assessment – Special School and AP Funding Consultation

Background Documents:

Reports to the North Yorkshire Schools Forum:

- 14 March 2024
- 16 May 2024
- 19 September 2024
- 21 November 2024

<http://cyps.northyorks.gov.uk/nyep-meetings-and-agendas>