

# NORTH YORKSHIRE COUNCIL

## EXECUTIVE

6 JANUARY 2026

### MAINSTREAM SCHOOLS & SPECIAL SCHOOLS BUDGET 2026-27

#### 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 2026-27, 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 2026-27 financial year.
- The use of the “Age Weighted Pupil Unit” 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 2026/27 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 2026-27 North Yorkshire school funding formula.
- The use of the exceptional circumstance formula factor for schools where their approved rent costs are in excess of 1% of their delegated budget.
- The transfer of 0.5% of funding from the Schools Block DSG to the High Needs Block, as approved by the North Yorkshire Schools Forum on 20 November 2025.

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 0% MFG funding protection in line with DfE recommendations for special schools for the 2026-27 financial year. The MFG is not applicable to PRUs.
- Applying 2% to the Banded Funding allocations (top up/ 'element 3' allocations) received by mainstream and special schools and academies for the 2026-27 financial year.
- Applying 2% to the Banded Funding allocations (top up / element 3 allocations) received by pupil referral units and alternative provision settings for the 2026-27 financial year.
- Applying 2% to the factor elements within the Special school contextual funding for the 2026-27 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 On the 19 November 2025, the Government published details of how funding will be allocated through the NFF for schools for the 2026-27 financial year. Total provisional funding for mainstream schools through the schools NFF will total £50.9 billion in 2026-27. This includes funding that was allocated in 2025-26 through the schools' budget support grant (SBSG) and National Insurance Contributions (NICs) Grant, which has been "rolled in" to the schools NFF in 2026-27.

3.2 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 (UC). For 2026-27, the additional funding for the FSM expansion will be provided through a separate grant.

3.3 In the Local Government finance policy statement 2026-27 to 2028-29 published on 20 November 2025, the Ministry of Housing, Communities & Local Government stated that:

*"We recognise that local authorities are continuing to face significant pressure from the impact of Dedicated Schools Grant (DSG) deficits on their accounts and that they will need continued support during the transition to a reformed Special Educational Needs and Disabilities (SEND) system. This will include working with local authorities to manage their SEND system and deficits. On 23 June, as part of the Fair Funding Review 2.0, we announced a two-year extension to the DSG Statutory Override, now due to end in March 2028. We will set out further details on our plans to support local authorities with historic and accruing deficits through the upcoming Settlement."*

3.4 A summary of the DfE 2026-27 School National Funding Formula policy is as follows:

- The 2026-27 schools NFF will use the same factors as the 2025-26 NFF.
- The individual NFF factors for 2026-27 will operate in the same way as in 2025-26,

- The mainstream school's elements of the Schools Budget Support Grant (SBSG) and the National Insurance Contribution (NICs) grant are being rolled into the 2026-27 NFF to reflect the three different ways in which schools attract funding through the NFF:
  - Increasing the basic entitlement, FSM6 and the lump sum factor values for schools funded through the main formula factors (before protections);
  - Increasing the minimum per pupil levels (MPPL);
  - Increasing the baseline for each school, which is used to calculate funding protections for schools funded through the funding floor
  - For the NICs grant, the funding rates from the respective factors in the NICs grant have been used for the respective uplifts. For the SBSG, the amounts that are added to the NFF factor values reflect the "full year equivalent" of the SBSG funding rates. This means that the SBSG funding is higher than the funding rates that were actually used for the 2025-26 SBSG, as the latter supported schools with the part-year costs of the 2025 teachers pay award.
- In addition to the rolled in grants, the following uplifts will be applied to the NFF factors for the 2026-27 financial year:
  - 2.11% increase to the basic entitlement; FSM6 values and the lump sum factors.
  - 2.11% increase applied to the IDACI, low prior attainment (LPA), English as an Additional Language (EAL), mobility, sparsity and split sites factors.
  - 1.66% uplift has been applied to the FSM factor in the NFF, in line with inflation forecasts – as of the GDP deflator forecast of March 2025
- Through the 2026-27 MPPL (Minimum Per Pupil Level funding), all primary schools will attract at least £5,115 per pupil, and all secondary schools at least £6,640 per pupil – the minimum per pupil funding levels incorporate the rolled in SBSG and NICs Grant funding, but no further percentage uplift has been applied to the minimum per pupil funding levels for 2026-27.
- The funding floor will continue to protect schools from sudden drops in their funding. The 2026-27 NFF funding floor is set at 0%. This ensures that no school will see a cash reduction in its pupil-led per pupil funding they attract, compared to the 2025-26 baseline. For 2026-27 the baseline includes rolled in funding to reflect the NICs Grant and the annualised equivalent of the SBSG.

3.5 2026-27 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.
- When setting their local formulae, local authorities must set the MFG between -0.5% and 0%.
- Local authorities are 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 2026-27, most of which are compulsory for all local authorities. The compulsory factors are unchanged from 2025-26. The requirements on allowable values for these factors in local formulae will be confirmed alongside the NFF allocations publication.

- 3.6 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.
- 3.7 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 2024 census data against the 2025-26 notional SEN funding budget allocation. That analysis highlighted that based on the latest 2024-25 pupil data, the 2025-26 notional SEN budget allocation broadly reflects the estimated notional SEN funding requirement within North Yorkshire. In this respect it was not considered necessary to review the notional SEN budget funding formula calculation for the 2026-27 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 2026-27 financial year. North Yorkshire Council is forecasting a cumulative budget deficit of c.£24m on the High Needs budget by 31 March 2026. The deficit position is forecast to continue to escalate for future financial years if the present demand trend for high needs support continues. The unmitigated in-year deficit on the High Needs Block for 2026-27 is estimated to be c.£16m based on assumptions on the continued trend for an increase in the number of children and young people assessed as requiring a funded Education, Health and Care Plan (EHCP), inflationary pressures, the mix of placements across different types of education provision, and the likely increase in High Needs Block funding notified by the DfE. If confirmed, this would increase the accumulated deficit to c.£40m by March 2027.
- 3.8 The local authority has adopted a transformational approach to high needs identifying mitigating actions to reduce the growth of the financial pressure. This includes the co-production of an ordinarily available mainstream framework to systemically support pupils with additional needs to access local, mainstream provision. Improvements to SEN administration, assessment and co-ordination have been progressed with improvements in timeliness of assessment with further intent to introduce digital EHCPs to support more efficient and streamlined processes. The local authority has, over a number of years, expanded specialist provision both within special schools and through targeted mainstream provision. New special schools are planned for Selby and

Northallerton whilst the local authority has completed significant capital developments at Welburn Hall School, Skipton, Harrogate and Springwater. The mitigating actions appear to be consistent with information from the DfE, although the planned announcement of DfE reforms have been delayed from Autumn 2025 into “early 2026”.

- 3.9 It is against this background, as detailed above, that the local authority is proposing a funding transfer from the Schools Block to the High Needs Block for the 2026-27 financial year. The proposed transfer of funding will support the implementation of the mitigations currently identified by the local authority to address cost pressures in a more sustainable way – particularly through (i) embedding the ordinarily available inclusion framework (ii) supporting locality boards to pilot and/or develop local inclusive approaches relevant to their locality. Our high needs transformation themes also include further development of targeted mainstream provision. In the event of the funding transfer not being agreed, the local authority will need to consider the continuation of some of these services and developments against a background of the significant funding pressures on High Needs budget and the wider local authority.
- 3.10 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 2026-27, DfE published a 0% MFG protection level for special schools on 17 December 2025.
- 3.11 In practical terms and, if required, the Council will utilise the mechanism - allowed by the DfE - of capping and scaling, to ensure the local mainstream 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 2025-26 financial year and the 2026-27 financial year.
  - The methodology to be used to deal with any funding surplus or shortfall on the 2026-27 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 2026-27 financial year
- 4.2 The consultation results are detailed in the table below:

Option	MFG %	No. Responses Received Supporting Option	No. Schools Represented in Responses Supporting Option
Option 1	Minimum DfE Threshold	12	12
Option 2	Maximum DfE Threshold	29	47
		<b>41</b>	<b>59</b>

<b>Option</b>	<b>Methodology for the Allocation of Any Surplus Funding</b>		
Option 1	Age Weighted Pupil Unit (AWPU) values increased	22	32
Option 2	Lump Sum Formula Factor Value increased	20	28
		<b>42</b>	<b>60</b>
<b>Option</b>	<b>Methodology for the Operation of Capping and Scaling to Recover Any Funding Shortfall</b>	<b>No. Responses Received Supporting Option</b>	<b>No. Schools Represented in Responses Supporting Option</b>
Option 1	A lower gains cap percentage and a lower scaling back of gains percentage	21	22
Option 2	A higher gains cap percentage and a higher scaling back of gains percentage	20	37
		<b>41</b>	<b>59</b>
<b>Option</b>	<b>Proposed Transfer of 0.5% from the Schools Block DSG to the High Needs Block</b>		
Option 1	1% Funding Transfer Supported	8	9
Option 2	0.5% Funding Transfer Supported	15	15
Option 3	Funding Transfer Not Supported	19	36
		<b>42</b>	<b>60</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 has historically reflected 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 with 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 responses to the 2026-27 North Yorkshire School Funding Consultation supported the proposal to transfer funding from the Schools Block to the High Needs Block. The local authority acknowledges and recognises the views of schools expressed in the funding consultation and recognises the current financial pressures on school budgets. However, the local authority has a corporate duty and a financial responsibility to address the forecast budget overspend of c.£24m on the High

Needs Block by 31 March 2026. Funding support measures to mitigate the impact on school budgets of the proposed transfer of funding from the Schools Block to the High Needs Block for the 2026-27 financial year are as follows:

- The utilisation, if required, of the 2026-27 NFF Growth Funding to fund any shortfall in the 2026-27 Schools Block (adjusted for any agreed block transfer) after the calculation of 2026-27 schools budget based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG). No contribution will be made from the NFF Growth Funding in the 2026-27 financial year to the New Schools Reserve (£500k contribution made in 2025-26) or to the Pupil Growth & Falling Rolls Contingency Funds (already agreed by the Schools Forum at the September 2025 meeting).
- The use of up to £1.5m from the Schools Block DSG General Reserve to support school budgets, if required any remaining funding shortfall on the Schools Block (after any agreed Block transfer), after the utilisation of the 2026-27 NFF Pupil Growth Funding. In the event of a block transfer not being agreed, support of up to £500k of the Schools Block General Reserve will be provided to support, if required, any remaining funding shortfall on the Schools Block, after the utilisation of the 2026-27 NFF Pupil Growth funding (already agreed by the Schools Forum at the September 2025 meeting).
- 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 2026-27 financial year.

4.5 The North Yorkshire Schools Forum considered the results of the 2026-27 School Funding Consultation at their meeting on the 20 November 2025. The Schools Forum supported:

- A MFG of 0% for 2026-27
- The use of Age Weighted Pupil Unit (AWPU) 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.
- The transfer of 0.5% of funding from the Schools Block DSG to the high Needs Block for the 2026-27 financial year

4.6 At the time this report was published, the Government had not published the 2026-27 DSG allocations. However, it is anticipated that, after accounting for the 0.5% funding transfer from the Schools Block DSG to the High Needs Block, school budgets can be funded at 2026-27 NFF values based on additional funding support of:

- Utilisation of the 2026-27 Growth Funding
- Up to £1.5m from the Schools Block General DSG Reserve

4.7 At its September 2025 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 2026-27 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.

- 4.8 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. The North Yorkshire Schools Forum supported the local authority proposal for this exceptional circumstance formula factor to be utilised again in the 2026-27 financial year for schools meeting the eligibility criteria.

The DfE have confirmed approval of the application request for the exceptional rents formula factor.

## **5.0 SPECIAL SCHOOL FUNDING**

- 5.1 Special school funding arrangements for 2026-27 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 unmitigated financial pressure in 2026-27 is in the order of £16m that will add to the estimated accumulated High Needs Deficit of c.£24m as at 31 March 2026. Unchecked, this will lead to an accumulated deficit of c.£40m by 31 March 2027. Projections beyond 2026-27 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 2026-27, the DfE have prescribed that the MFG protection level for special schools must be set at 0%. This DfE notification was provided on 17 December 2025 and was subsequent to the North Yorkshire Funding Consultation undertaken with special schools in September/October 2025 on the level of the MFG for 2026-27. The Special School MFG is not applicable to Pupil Referral Units (PRU).

- 5.5 It should 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 2% will be applied to Element 3 top-up funding and the contextual funding received by Special Schools for the 2026-27 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 2026-27 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 2025-26	Funding Rates 2026-27 (applying 2% increase)
Band 3	£0	£0
Band 4	£1,850	£1,890
Band 5	£4,070	£4,160
Band 6	£5,880	£6,000
Band 7	£8,990	£9,170
Band 8	£10,740	£10,960
Band 9	£14,900	£15,200
Band 10	Bespoke*	Bespoke*

\* Actual figure determined on a case-by-case basis

- 5.9 It is proposed to increase the factor elements within the Contextual Funding by 2%.
- 5.10 The application of 2%, proposed to be applied to the banded funding rates, is also proposed to be applied to the top-up funding allocation of £9,180 for pupil referral unit (PRU) and alternative provision (AP) settings for the 2026-27 financial year. This will result in a top-up value of £9,370.

## 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 2026-27 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 2026-27 and Medium-Term Financial Strategy in February 2026.

- 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 2026-27 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, by the Executive, this will effectively increase the accumulated deficit on the High Needs Block budget by c£2.3m as the 2026-27 in-year projected High Need Block deficit of c£16m 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 2026 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 19 September 2025 until 24 October 2025. 42\* responses have been received to the Consultation, as shown below.

LA Maintained Primary	24
LA Maintained Secondary	8
Primary Academy	5

Secondary Academy	2
Academy Trust	<u>3</u>
	<u>42</u>

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

(60 schools and academies are represented in the responses received providing an overall response rate of 18.02% (18.93% LA maintained schools, 17.07% academies). 273 schools / academies are not represented in the consultation responses.

Three academy trusts have responded to the consultation representing 2, 9, and 10 North Yorkshire academies respectively.

- 10.3 A consultation was undertaken between 19 September 2025 and 24 October 2025 with special schools within North Yorkshire to seek views on the level of the MFG for the 2026-27 financial year. 7 out of the 10 special schools were represented in the responses received to the consultation. All of the responses received to the consultation supported the use of the maximum DfE MFG in the event of the DfE prescribing a range for the MFG rather than prescribing a specific value.

## 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: 2025 to 2026. 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 2026. 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 2026 deadline in respect of:
- Minimum Funding Guarantee for mainstream school funding for 2026-27
  - the funding approach to an overall deficit or surplus on the available DSG allocation (which will not be known until late in December 2025)
  - the inclusion of an exceptional lump sum of £50,000 for very small, sparse, secondary schools within the local formula for 2026-27
  - the use of the exceptional circumstance formula factor for schools where their approved rent costs are in excess of 1% of their delegated budget.
  - the proposed Block transfer of funding from Schools Block to the High Needs Block for 2026-27
  - any changes to the banded funding/E3 top-up funding or funding framework for 2026-27

## 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 2026-27 financial year.
- b. That the Council uses Age Weighted Pupil Units (AWPU) 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 2026-27 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 2026-27 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 2026-27 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 2026-27 North Yorkshire school funding formula.
- e. That the Council uses the exceptional circumstance formula factor for schools where their approved rent costs are in excess of 1% of their delegated budget
- f. That the Council transfers 0.5% of funding from the Schools Block Dedicated Schools Grant (DSG) to the High Needs Block, as agreed by the North Yorkshire Schools Forum on 20 November 2025.
- g. That the Council applies MFG funding protection of 0% for special schools for the 2026-27 financial year, as prescribed by the DfE.
- h. That the Council applies 2% to the Banded Funding allocations (top up/ 'element 3' allocations) received by mainstream and special schools and academies for the 2026-27 financial year.
- i. That the Council applies 2% to the Banded Funding allocations (top up / element 3 allocations) received by pupil referral units and alternative provision settings for the 2026-27 financial year.
- j. That the Council applies 2% to the factor elements within the Special school contextual funding for the 2026-27 financial year.
- k. 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.

Peter Thorpe  
Corporate Director – Children and Young People’s Service (Interim)  
County Hall  
Northallerton

6 January 2026

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

Background Documents:

Reports to the North Yorkshire Schools Forum:

- 13 March 2025
- 15 May 2025
- 18 September 2025
- 20 November 2025

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