

York Schools Forum**8 May 2025**

Report of the Head of Children & Education Finance

SCHOOLS BLOCK FUNDING TRANSFER TO THE HIGH NEEDS BUDGET FOR 2026/27**Summary**

- 1 This report outlines the process for implementing a proposed 0.5% top slice from the Schools Block of the Dedicated Schools Grant (DSG) to support the High Needs Budget in the City of York. The proposal aims to address pressures on the High Needs Budget, which funds support for pupils with special educational needs and disabilities (SEND) and other high cost provision, while attempting to minimise disruption to mainstream school budgets.
- 2 The report details the timescales, regulations, calculation methodology, consultation process, and implications for schools and the local authority (LA).

Background

- 3 The High Needs Budget within the DSG is under significant pressure due to increasing demand for SEND provision, including Education, Health, and Care Plans (EHCPs), specialist placements, and additional support in mainstream schools. Nationally and locally, high needs funding has not kept pace with rising costs and demand, leading to deficits in many LAs, including York.
- 4 To help mitigate this, the Department for Education (DfE) allows LAs, with Schools Forum approval, to transfer up to 0.5% of the Schools Block to the High Needs Block. If the LA wishes to transfer more than 0.5% or proceed without Schools Forum approval, it must submit a disapplication request to the Secretary of State for Education. This requires a detailed case, including evidence of consultation and a DSG Management Plan showing how the transfer will alleviate pressures on the High Needs Block.

Proposed Timescales

- 5 The introduction of a top slice represents a significant step for the LA and should not be taken lightly or without full and proper consideration. Therefore, it is proposed to follow the following process of engagement with the forum, schools and elected members:
 - a. 8 May – an initial report (this report) to the Schools Forum outlining the process that will need to be followed, the DfE regulations underpinning any top slice and the potential financial implications of a 0.5% top slice for mainstream schools in the city.
 - b. 3 July – taking account of comments and issues arising on the first report, a further report to the Schools Forum presenting a draft consultation document on the proposal to be shared with all schools.

- c. Early July to end of September – consultation with all mainstream schools and academies.
- d. 16 October (TBC) – report to the Schools Forum on the results of the consultation and (subject to discussion) a request from the LA for the forum to approve the top slice.
- e. 4 November – if necessary, a report to Executive Member(s) requesting permission to continue against the wishes of the Schools Forum and submit a disapplication request to the DfE & SoS.
- f. By 18 November (TBC) – LA submits the request to the DfE & SoS
- g. January 2026 – the LA, as part of the formal budget setting process, confirms (or not) the implementation of the top slice.

DfE Regulations

- 6 The DSG is a ring-fenced grant provided by the DfE to LAs to fund education. It is divided into four blocks:
 - Schools Block: Funds mainstream schools for pupils aged 5–16.
 - High Needs Block: Supports pupils with SEND, alternative provision (AP), and other specialist services.
 - Early Years Block: Funds early education and childcare for 9 months to 4-year-olds.
 - Central School Services Block: Funds LA responsibilities like admissions and school place planning.
- 7 Additionally each block is ring-fenced, meaning funds allocated to one block cannot be freely moved to another without following specific procedures. However, the regulations allow limited flexibility to transfer funds between blocks, particularly to address pressures on the High Needs Block.
- 8 The ability to transfer up to 0.5% of the Schools Block to the High Needs Block (or other blocks) is governed by the DSG Conditions of Grant and the School and Early Years Finance (England) Regulations, which are updated annually. These conditions and regulations specify that the Schools Block is ring-fenced but permit LAs to transfer up to 0.5% of the Schools Block to another block (e.g., High Needs) with the approval of their Schools Forum.
- 9 If a LA wishes to transfer more than 0.5% or proceed without Schools Forum approval, it must submit a disapplication request to the Secretary of State for Education. This requires a detailed case, including evidence of consultation and a DSG Management Plan showing how the transfer will alleviate pressures on the High Needs Block.
- 10 Further details on the process and information required by the DfE are included at Annex 1 in an extract from the DfE's 2025/26 Schools Operational Guide.

High Needs Block Deficit Projection

- 11 The current DfE Safety Valve Recovery Plan projection (set out in the table below) shows that once the annual safety valve payments cease at the end of 2025/26 an underlying in year deficit of c£1m will still remain.

High Needs Block Deficit Projections (Per Safety Valve Recovery Plan)	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 £m	29/30 £m
Balance brought forward	(0.3)	(0.2)	0.5	(0.0)	(0.2)	(0.2)
In Year Surplus / (Deficit)	(1.4)	(0.9)	(1.1)	(0.8)	-	0.2
DfE Safety Valve Contribution	1.5	1.5	-	-	-	-
0.5% Top Slice Transfer	-	-	0.6	0.6	-	-
Balance carried forward	(0.2)	0.5	(0.0)	(0.2)	(0.2)	-

- 12 From 2026/27 the recovery plan assumes a contribution from the Schools Block to mitigate the in-year deficit and support additional initiatives designed to reduce pressure elsewhere within the high needs budget. The plan assumes that this contribution will be required for two financial years before overall pressure on the high needs budget is stabilised.

Modelling the Impact a 0.5% Transfer for all Mainstream Schools

- 13 This initial modelling has been done using the current 2025/26 mainstream school funding allocations. In 2025/26 the total Schools Block DSG is £133.689m, with a 0.5% reduction equalling £668,443. Total funded pupils in 2025/26 are 22,286 fte. Therefore a 0.5% reduction represents £29.99 per pupil. However, due to the impact of the minimum funding guarantee (MFG), the limit on gains (LOG) factor and the minimum per pupil level (MPPL), the impact for individual schools will vary.
- 14 Annex 2 sets out school by school comparisons of the potential impact of removing 0.5% from the overall schools budget in 2025/26. The comparisons will be updated later in the year as and when information on schools funding for 2026/27 is released by the DfE.
- 15 Two scenarios are modelled in Annex 1. Version 1 sets out the impact of a straight £29.99 reduction in all Age Weighted Pupil Unit values but with no further amendments that would require a disapplication request. In this version it can be seen that the impact on individual schools is unequally distributed due to the impact of the MFG, LOG and MPPL. The of reductions in per pupil funding compared to the original 2025/26 allocations range from zero (no impact on the school's funding) to £149 per pupil, or 0% to -2.3%.
- 16 The LA would be concerned about introducing a top slice that had such a disproportionate impact across schools. Therefore version 2 has been modelled which makes adjustments to the MFG and LOG within the current allowable range, and also proposes a change to the MPPL (a reduction of £29.99 per pupil) that would require a disapplication to the DfE and approval by the SoS.
- 17 Whilst version 2 does still show a range of impacts across schools, this range is significantly reduced. The of reductions in per pupil funding compared to the original 2025/26 allocations now range from £21 per pupil to £35 per pupil, or -0.24% to -0.60%. This demonstrates a much more equitable distribution of the impact of the top slice across schools and is the version that the LA would recommend.

Use of the Top Slice withing the High Needs Budget

- 18 The LA would prefer to avoid using the top sliced funds to merely prop up the projected deficit within the high needs budget. It is believed that a more effective use of the resource would be to fund initiatives that help support mainstream schools in retaining higher needs pupils, whilst avoiding and reducing the need for more expensive placements elsewhere. Over time it is hoped that this would contribute towards a more sustainable and balanced high needs budget thereby reducing the necessity to request top slices in future years.
- 19 The previous report on this agenda (Post Safety Valve Planning: Developing locality inclusion clusters) sets out one proposal for the use of the top slice funds. Further options can be considered, and members of the forum may wish to contribute to this discussion prior to any further consultation taking place. In lieu of agreement to effectively invest the funds in cost reduction initiatives, the LA is likely to continue to need to request top slice funding to mitigate a high needs deficit for the foreseeable future.

Consultation

- 20 Subject to the views of the forum, it is proposed to undertake a consultation with all schools on the details and implications of the top slice. The consultation will include:
 - information setting out the background to the proposal and the DfE guidelines and requirements
 - Details from the Safety Valve DSG Management Plan explaining the pressures within the High Needs budget
 - full details of the modelling (updated if necessary) that is set out in Annex 2
 - information of how the LA proposes to use the funds generated from the top slice
 - any other information that the forum believes would be helpful
- 21 The consultation would be launched as soon as possible following the 3 July Schools Forum meeting and run until the end of September, in order to allow time to prepare a further report to a forum meeting proposed for 16 October.

Recommendations

- 22 Members of the Schools Forum are asked to comment on the proposals set out in the report, and suggest any further information that could helpfully be included in the proposed consultation with schools.

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Annex 1 - Extract from the DfE 2025/26 Schools Operational Guide

Annex 2 - Modelling of a 0.5% top slice across all mainstream schools

Extract from the DfE 2025/26 Schools Operational Guide

Local authorities can transfer up to and including 0.5% of the schools block into another block, with schools forum approval. For a transfer exceeding 0.5%, or without schools forum approval, a disapplication request must be submitted to the Secretary of State.

Most proposals by local authorities to transfer funding from their schools block arise because of pressure on their high needs budgets. We, therefore expect local authorities proposing to make a block transfer to provide details of how a transfer will decrease such pressures.

Local authorities wishing to make a transfer out of the schools block in 2025 to 2026 should consult local maintained schools and academies, and the schools forum should take these views into account before making its decision. It is important that the consultation sets out the full amount of the proposed transfer for 2025 to 2026. For example, if a local authority wants to transfer 1%, the consultation documents must clearly state this. A document showing 0.5% on top of the 0.5% the schools forum can approve is not acceptable. Schools forum discussions should include appropriate representation from special schools and other specialist providers.

Local authorities that have safety valve agreements with DfE should make disapplication requests to the safety valve team at SafetyValve.Programme@education.gov.uk.

Local authorities must submit disapplication requests to the Secretary of State, using the digital form provided by DfE, in cases where:

- the local authority wishes to transfer more than 0.5% of the schools block in total
- the schools forum has turned down a proposal from the local authority to transfer any amount of funding out of the schools block, but the local authority wishes to proceed with the transfer

The deadline for local authorities to submit a block transfer disapplication request was 18 November 2024. For requests received before this date, we aim to communicate decisions in time for local authorities to submit the APT and provide maintained schools with their budget shares.

Wherever possible, schools forum meetings should have been arranged so that requests for block transfers have been considered prior to the disapplication deadline. If schools forum meetings need to take place after this deadline, the local authority should inform DfE as soon as possible.

We recognise there may be exceptional situations where local authorities need to amend their request, where circumstances change significantly. In these circumstances, local authorities should contact DfE as soon as possible. Any result in changes to the transfer request would need to be submitted by 9 January 2025 at the latest. We have included more information on the implications for APT submissions in completing the authority proforma tool guidance.

In such circumstances, local authorities should also have considered how they will manage the timetable for setting their school budgets so that the notifications to schools of their budget shares, and the parallel DfE process for notification of academy allocations, are not

delayed. We suggest appropriate timetabling of schools forum meetings to discuss budgets and to agree the process should any amendments to disapplications need to be made. This allows for schools forum to be informed and vote on proposed changes. Further to this, arrangements for political approval should be timetabled to take account of this later date for amended requests.

When submitting disapplication requests for transfers from the schools block, local authorities should provide the evidence detailed in the digital form provided by DfE. This should be a DSG management plan that includes:

- A forecast position for the next 5 years.
- Details of predicted EHC plan growth, sufficiency, and the actions the local authority is taking to mitigate overspending.
- Costed mitigating actions, with narrative explaining how the figures have been derived.
- Rationale for this transfer, including changes in demand over the last 3 years and how the local authority has met that demand by commissioning places in all sectors.
- Plans to change the pattern of provision where necessary.
- Evidence of partnership working between the local authority, schools and parents - an explanation of plans to support the inclusion of children with special educational needs and disabilities (SEND) in mainstream schools.
- Information presented to all schools through consultation and to the schools forum, and details of responses to the transfer proposal, including papers for and minutes of schools forum meetings, showing details of the vote.

Each request will be considered on a case-by-case basis. To support their request, local authorities should provide detail on:

- The specifics of their plans demonstrating that the transferred funding would contribute to addressing cost pressures in a sustainable way, such as 'invest to save' options.
- DfE will also consider the level of support from local schools and the schools forum for this plan, and if they do not support the plan, their specific arguments for this.