

York Schools Forum**3 July 2025**

Report of the Head of Children & Education Finance

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

- 1 This report presents a draft schools consultation document for a proposed 0.5% transfer from the Schools Block of the Dedicated Schools Grant (DSG) to support the High Needs Budget (HNB) in the City of York. The proposal aims to address pressures on the HNB, 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.

Background

- 2 The HNB 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.
- 3 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 HNB. 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 HNB. This report concentrates on the consultation with schools, with further background information contained in an earlier report to the forum on 8 May 2025.

Consultation

- 4 A draft consultation document is attached for consideration by the forum. Subject to any comments of the forum, the consultation will be launched as soon as possible following this 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

- 5 Members of the Schools Forum are asked to comment on the draft consultation document and proposed questions.

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Draft Consultation Document

DRAFT CONSULTATION DOCUMENT

SEEKING SCHOOLS' VIEWS ON THE PROPOSAL TO TRANSFER 0.5% FROM THE SCHOOLS BLOCK TO THE HIGH NEEDS BLOCK IN 2026/27.

Background

- 1 York's High Needs Budget (HNB) within the Dedicated Schools Grant (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 local authorities (LAs), including York.
- 2 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 (SoS) 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 HNB.
- 3 Given the significant level of concern, at both LA level and national DfE level, in relation to the HNB deficit position, the LA feels that the transfer of 0.5% from the Schools Block DSG to the HNB for the 2026/27 financial year must be considered as part of the overall financial recovery plan strategy for the HNB. This reflects the shared responsibility for High Needs across the stakeholders within the sector and reflects the position currently in place in many LAs across the country.

Proposed Timescales

- 4 The introduction of a block transfer represents a significant step for the LA and should not be taken lightly or without full and proper consideration. Therefore, the following process of engagement with the forum, schools and elected members is being undertaken:
 - a. 8 May – an initial report was presented to the Schools Forum outlining the process that needs to be followed, the DfE regulations underpinning any transfer and the potential financial implications of a 0.5% transfer 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 transfer.
 - 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 transfer.

DfE Regulations

- 5 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.
- 6 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.
- 7 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.
- 8 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.

High Needs Block Deficit Projection

- 9 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) | - |

- 10 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

- 11 As information on national school funding allocations for 2026/27 not yet been released, the modelling in this consultation 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.
- 12 Annex 1 sets out school by school comparisons of the potential impact of removing 0.5% from the overall schools budget had this been implemented 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.
- 13 Two scenarios are modelled in Annex 1. Option 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 option it can be seen that the impact on individual schools is unequally distributed due to the impact of the MFG, LOG and MPPL. The 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%.
- 14 The LA would be concerned about introducing a transfer that had such a disproportionate impact across schools. Therefore option 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 request to the DfE and approval by the SoS.
- 15 Whilst option 2 does still show a range of impacts across schools, this range is significantly reduced. The 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 transfer across schools and is the option that the LA would recommend.

Use of the 0.5% funding within the HNB

- 16 The LA would prefer to avoid using the transferred funds to merely prop up the projected deficit within the HNB. 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 HNB thereby reducing the necessity to request additional funding transfers in future years.

- 17 Following discussion at the Schools Forum in May, Annex 2 sets out a proposal for the use of the transferred funds focused on developing locality inclusion clusters aimed at supporting inclusive mainstream education, safeguarding and promotion of opportunities for integrated working across education, health and care. In lieu of agreement to effectively invest the funds in cost reduction initiatives, the LA is likely to continue to need to request funding transfers to mitigate a high needs deficit for the foreseeable future.

Consultation Questions

- 18 The LA and Schools Forum would welcome responses to the following questions:

- Q1:** Do you understand why the local authority is proposing a 0.5% transfer from the schools block to the high needs block for 2026/27? **Yes / No**
- Q2:** Do you agree with a 0.5% transfer from the schools block to the high needs block for 2026/27? **Yes / No**
- Q3:** Regardless of your answer to Q2 (as the LA may still decide to pursue a transfer if the Schools Forum votes against), would you prefer the 0.5% transfer to be made under option 1 or option 2 as set out in Annex 1? **Option 1 / Option 2**
- Q4:** Do you agree with the proposal to direct the transferred funds to support the development of locality inclusion clusters as described at Annex 2? **Yes / No**
- Q5:** Are there any other comments that you wish to make about the proposals?

Annex 1 - Modelling of a 0.5% transfer across all mainstream schools

Annex 2 - Developing locality inclusion clusters proposal