

	Schools Forum 11 November 2025
	Report from the Corporate Director Children, Young People and Community Development
Dedicated Schools Grant (DSG) Budget Monitoring Report 2025/26	
Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt:	N/A
No. of Appendices:	Three: Appendix 1: DSG Period 6 Budget Monitor 2025/26 Appendix 2: Grant Additions to Core Factor Values in the 2026/27 National Funding Formula Appendix 3: SEND Phase 1 Capital progress update
Background Papers:	None
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1. Executive Summary

- 1.1. This report provides Schools Forum with an update on the projected financial position for 2025/26 financial year, based on data at the end of September. The position is reported against the budget set in consultation with the Schools Forum and submitted to the Department for Education (DfE) in the Section 251 budget return in June 2025. It also provides an update on schools' additional in-year grant allocations from the DfE. For reference, Appendix 1 of this report contains a detailed budget breakdown and forecast by funding blocks.

2. Recommendation

- 2.1. Schools Forum is asked to note the contents of this report.

3. Contribution to Borough Plan Priorities and Strategic Context

- 3.1 This report is linked to the Council's Borough Plan which aims for children and young people to get the best start in life, by working in partnership with schools and other partners to make sure access to education is fair and equal. This report provides updates to ensure the Schools Forum is kept abreast of the DSG funding.

4. Summary

- 4.1. The table below outlines the changes made to the DSG allocations for 2025/26, including funding for academies, since the budgets were last approved by the Schools Forum in January 2025.

DSG 2025/26	Jan 25 approved by Forum	DfE updates	July 25 updated allocation
	£000	£000	£000
Schools block	298,181		298,181
High Needs block	90,325	489	90,814
Early years block	41,442	-1,696	39,746
Central school services block	2,445		2,445
	432,394	-1,207	431,187

The overall DSG allocation has decreased by £1.2m, from the position approved by Schools Forum in January 2025, due to an in-year adjustment by the DfE in July 2025. The adjustment relates to £0.5m increase in the HN Block funding mainly due to an increase in funding for additional special free school places and £1.7m decrease in the Early Years Block following the completion of the January 2025 census which saw a reduction in hours of childcare provision compared to the January 2024 census data. The Local Authority with its Best Start in Life planning and the new Early Years strategy is focusing on increasing and maximising take up of the local offer.

5. Table 1: DSG Forecast

Funding Blocks	Overall DSG Funding 2025/26	Forecast Expenditure	Overspend/ (Underspend)
	£m	£m	£m
Schools Block	126.0	126.0	0.0
High Needs Block	82.6	85.4	2.7
Early Years Block	39.7	39.7	0.0
Central Block	2.4	2.4	0.0
Total DSG	250.8	253.5	2.7

- 5.1. The DSG forecast is reflecting a deficit of £2.7m, against grant funds of £250.8m mainly due to pressures from the High Needs (HN) Block.
- 5.2. At the end of the 2025/26 financial year, the cumulative deficit stood at £13.6m. Ongoing growth in demand for High Needs provision, combined with continued pressures on top-up funding allocations, means the DSG budget is now projected to end 2025/26 with a significantly higher cumulative deficit of £16.3m. This forecast does not include potential additional pressures within post-16 education budgets, as updated rates and student numbers for the new academic year will be confirmed by providers from October onwards. In 2024/25, this area recorded an overspend of £0.8m, and a similar level of pressure, if not mitigated, could increase the cumulative deficit to approximately £17.1m.
- 5.3. A detailed financial monitor of the 'DSG Schools Budget monitoring report is presented in Appendix 1. The 'Actual to P6' column represents spend to date as of 30th of September 2025, and the forecasts provided are those prepared during October 2025.

6. Schools Block

- 6.1. Of the total £298.1m Schools Block budget allocated by the DfE to Brent, £168m has been recouped and allocated directly to academies. £1.4m has been transferred to the HNB and £2.6m has been deducted for National Non-Domestic Business Rates to be paid by the DfE directly to the billing authority, leaving £126m directly allocated to Brent maintained schools and to fund centrally retained items including the growth fund.
- 6.2. The Schools Block is currently forecast to break even.

7. High Needs (HN) Block

- 7.1. The HN budget, excluding the proportion allocated to academies, is £82.6m. This allocation includes a £1.4m transfer from the Schools Block.
- 7.2. Place funding of £9.7m for academies has been recouped from the Block and allocated to directly to providers. There was a £51k in year adjustment by the DfE in July 2025 to increase the HN funding for children from other local authorities attending schools in Brent, and an additional £0.43m funding for special free school places in Brent.

- 7.3 The HN Block allocation increased by £5.0m in 2025/26. The growth in EHCPs has continued at a rate comparable to previous years. Between January 2025 and September 2025, there was a 7% (8% between January 2024 and January 2025) increase in children and young people with an EHCP, with the number increasing from 3791 to 4050 over this period. Significant pressures remain within the HN Block. These include rising costs associated with independent, residential and out of borough placements as well as the growth in associated costs of increase in EHCPs outstripping increase in funding.

Table 2 - DSG High Needs Block forecast	2025/26 Budget	2025/26 Forecast	2025/26 Variance
	(£m)	(£m)	(£m)
Place funding in Brent Special Schools and ARPS	2.7	2.7	0.0
Top up funding in Brent Mainstream, Special schools, and ARPs	47.2	45.7	(1.5)
Recoupment Income	(3.7)	(4.1)	(0.4)
Residential and Independent settings	11.4	13.8	2.4
Out of Borough Top ups	7.6	10.0	2.4
Post 16 Top ups	5.0	5.0	0.0
Early Years Inclusion Fund	1.1	1.1	0.0
SEN Support Services including Education Otherwise / Awaiting Placement	10.7	10.5	(0.2)
SEN Support	0.5	0.5	0.0
Total Expenditure: High Needs Block	82.5	85.2	2.7

- 7.4. The £2.7m in year deficit against the HN Block is mainly due to an increase in the expected costs of educating Brent children out of borough and in residential and independent settings totalling a projected £4.4m due to increased number of pupils placed in these settings.
- 7.5. The forecast also includes £121k uplifts to the top up rates paid to Additional Resource Provisions (ARPs) as agreed by Schools Forum in June 2025. The adjustments apply to payments from September 2025.
- 7.6. The forecast position is further detailed below:
- The in-borough mainstream schools' (including academies) top up funding includes the introduction of a new ARP top up funding rate of £12,500 with effect from September 2025 as agreed by Schools forum in June 2025. This new rate is paid only to those schools that have signed a service level agreement.

- ii. There is a pressure of £2.4m against the education costs of children placed in independent and residential settings. This is partially mitigated by an additional forecast recoupment income of £0.3m to claim back the cost of children attending Brent schools placed by other boroughs.
 - iii. £2.4m pressure against the cost of placing Brent children in schools out of borough.
 - iv. As previously noted, the post-16 budget is projecting a breakeven position as it is difficult at this stage to accurately forecast the post-16 costs, due to delays in various settings confirming their charges to the local authority. New pupils also join in the spring term which makes it difficult to predict the forecast based on pupil numbers. As such, the forecast against the post-16 budget line is subject to change later in the financial year.
 - v. The above pressures are expected to be mitigated by forecast underspends of 0.2m against SEN support services, including Education Otherwise/Awaiting Placement and a further forecast underspend against the SEN support budget.
- 7.7. The Council continues to monitor its HNB management plan, which outlines a series of long-term actions aimed at bringing the cumulative deficit under control. The plan is overseen by the Corporate Director of Children Young People and Community Development and the Corporate Director of Finance who coordinate and monitor actions in the plan, which focus on cost avoidance through financial management, managing demand and improving sufficiency of places, as outlined in the school place planning strategy refresh to be discussed at the Cabinet meeting on 17 November 2025.

8. Early Years (EY) Block

- 8.1 The EY Block allocation reduced by £1.7m following the completion of the January 2025 census. The census has shown a reduction in take-up of the 3- and 4-year-old universal entitlement, a small increase in 3- and 4-year-old additional 15 hours entitlement for eligible working parents and a reduction in take-up 2-year-old entitlements. There has also been a clawback of £88.7k from the initial supplementary funding allocation for Maintained Nursery schools. To support these settings, the Local Authority is not proposing to recover this clawback from its Maintained Nurseries for this financial year.
- 8.2 At this stage, the forecast is for the EY Block indicates a break-even position. However, this position is likely to change over the next two quarters, as children

move on from early years' settings and new take-up hours are confirmed from September 2025 and in the Spring term from January 2026.

The DfE has announced a standalone grant, Early Years National Insurance Contributions (NIC) and teachers' pay grant (EYNTPG), of £40m for the financial year 2025/26, aimed at supporting public sector early years settings with increased staffing costs. The grant is made up of £25m to support eligible providers with the increased employers' NIC costs from April 2025, and £15m to support with the 2025 teachers' pay award for the period from September 2025 to March 2026. Brent has been allocated £0.279m which will be paid in full to childcare providers.

9 Central Block

- 9.1 The Central Block of the DSG (£2.4m) funds central services for schools. This includes a set contribution towards pension strain costs for former school employees of £0.21m, which is a long-term annual commitment.
- 9.2 The Central Block is currently forecast to break even.

10 Dedicated Schools Grant funding and National Funding Formula (NFF) 2026/27 update

- 10.1 The DfE has confirmed that the structure of the Schools NFF will remain unchanged for 2026/27, with all existing factors such as basic entitlement, additional needs, and minimum per pupil funding continuing to operate as in 2025/26.
- 10.2 In March, the DfE published details of the NIC grant for mainstream schools, covering the full financial year from April 2025 to March 2026, to support increased employer costs for both teachers and support staff. This was followed in May by the announcement of the Schools Budget Support Grant (SBSG), which provides funding for the seven-month period from September 2025 to March 2026, linked to the 2025 teacher pay award. The DfE has confirmed that the mainstream elements of both grants will be rolled into the schools' block of the NFF for 2026/27. It is anticipated this will follow the methodology used in previous years of uplifting the age weighted pupil units (AWPU) and FSM6 values in line with the values used in the grant, including an uplifted rate to reflect the full year impact of the SBSG (appendix 2). The DfE have said they will decide in due course how the additional element for mainstream schools with special units or resource provision, and the core school budget grant for special schools and pupil referral units, will continue in 2026/27.

- 10.3 DSG allocations are expected to be announced in December 2025, in line with previous years, following the conclusion of the multi-year Spending review in June 2025. The Authority Proforma Tool (APT), used for submitting the local funding formulae, will be released in mid- December.
- 10.4 Following the formal consultation with Brent schools in October 2021 and subsequent approval by the Schools Forum in November 2021, the Council will continue to apply a local funding formula (LFF) for mainstream schools in Brent in 2026/27. The Council will also maintain its approach of aligning local funding factor rates progressively with those of the NFF, in line with ongoing plans to transition to the DfE's direct NFF.
- 10.5 In June 2025, the government announced that from September 2026, Free School Meals (FSM) eligibility will be extended to all children in households receiving Universal Credit. This marks a significant expansion of the current criteria, which limits FSM access based on income thresholds. For the 2026/27 financial year, the DfE has confirmed that no changes will be made to the NFF to reflect this policy. Instead, the additional funding required to support the FSM expansion will be provided through a separate grant, with further details on its calculation and distribution to be published in due course. The DfE has not yet confirmed whether the newly eligible pupils under the expanded FSM criteria will also attract pupil premium funding.
- 10.6 From April 2026, the DfE will implement significant reforms to the DSG Early Years Block. Funding for all early years' entitlements will be based on termly headcount submissions rather than the January census, enabling more accurate and responsive allocations. The minimum pass-through rate to providers will increase from 96% to 97%, ensuring a greater proportion of funding reaches frontline settings. This increase will reduce the proportion of funding that the local authority can retain centrally, limiting resources available for delivering essential central services. The increase in the pass-through rate is estimated as a £107k reduction in allocations for central expenditure, based on allocations for the current financial year.

11 Pending Schools Forum requests

- 11.1 In response to a request from the February 2025 Schools Forum meeting, for an update on the £44m capital investment plan approved by Cabinet in January 2022 for additional SEND places, an update on project progress is provided in Appendix 3.
- 11.2 In response to a request at the Schools Forum meeting in June 2025 details of expenditure in independent schools, has been shared with Special Schools.

12 Stakeholder and ward member consultation and engagement

- 12.1 Cabinet Members are kept abreast of the DSG forecast deficit position as part of the quarterly finance reports submitted to Cabinet.
- 12.2 Consultation has been undertaken with Special Schools on revised banding rates following a review of current funding and costs, benchmarking with other local authorities, analysis of pupil distribution and spending patterns and a review of the financial position of the HNB. Proposed changes were discussed with Special School representatives on 22 October. Following this meeting, further work will be undertaken before any proposed changes are shared with Schools Forum.

13 Financial Considerations

- 13.1 The financial considerations are mentioned in the body of the report. However, there remains a risk that the number of children and young people with EHCPs will continue to grow. However, the HN Block funding will not increase in line with continued growth. Over the years, this has created financial pressures with many authorities holding deficit DSG balances.
- 13.2 Since 2020, a 'statutory override' has been in place that allows local authorities to hold deficit balances on their Dedicated School Grants (DSG) spending from their main revenue budgets, meaning that local authorities' DSG deficits could be separated from their wider accounts. This override has been extended to 2028 under the current government, pending wider reform of the system to be announced early in 2026.

14 Legal Considerations

- 14.1 There are no legal implications for this report.

15 Equality Diversity & Inclusion (EDI) Considerations

- 15.1 Not applicable.

16 Climate Change and Environmental Considerations

- 16.1 Not applicable.

17 Communication Considerations

- 17.1 All School Forum papers are published for access by members of the public.

Report sign off:

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