

	Schools Forum 17 June 2026
	Report from the Strategic Director of Children, Young People and Community Development
Dedicated Schools Grant Financial Outturn 2025/26	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt:	N/A
List of Appendices:	Appendix A: DSG Outturn 2025/26 Appendix B: Maintained School Balances 2025/26 Appendix C: Brent mainstream schools' High Needs Block budgets 2026/27
Background Papers:	Prior Schools Forum papers 2025/26
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1. Executive Summary

- 1.1. This report sets out the final Dedicated Schools Grant (DSG) outturn against the budget set for 2025/26 and provides detail on the in-year 2025/26 deficit of £6.6m.

2. Recommendation

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

3. Contribution to Borough Plan

- 3.1 This report aligns with the Council's Borough Plan, which focuses on giving children and young people the best start in life. This is achieved by collaborating with schools and other partners to ensure fair and equal access to education.

4. Detail

- 4.1. The DSG outturn for 2025/26 reports an in-year deficit of £6.6m against the total funding allocation of £435.7m. This position is largely attributable to an overspend of £8.2m within the High Needs (HN) Block. This has been partially mitigated by underspends across the remaining blocks, including £0.4m within the School Block, £1.0m within the Early Years (EY) Block and £0.2m within the Central School Services Block.
- 4.2. The cumulative DSG deficit carried forward into 2025/26 was £13.6m, reflecting the position at the end of 2024/25. Following the 2025/26 in year deficit of £6.6m, the overall cumulative DSG deficit has increased to £20.2m.

5. 2025/26 DSG Outturn

- 5.1. The schools' funding formula for 2025/26 was set in December 2024 and the final DSG budget was confirmed in January 2025. The total DSG expenditure budget (excluding funding for academies) was £255.3m plus a £4.8m sixth form grant.
- 5.2. Table 1 shows DSG budget lines after DfE recoupment and further budget details are in Appendix A.

Table 1: DSG Budgets Before DfE Recoupment

Funding Blocks	DSG 2025/26 Funding (includes transfers between blocks)	2025/26 Final Outturn	Over/ (Under)spend
	£m	£m	£m
Schools Block	126.0	125.6	-0.4
High Needs Block	82.8	90.9	8.2
Early Years Block	44.1	43.0	-1.0
Central Block	2.4	2.2	-0.2
Total DSG	255.3	261.8	6.6
DSG brought forward deficit			13.6
DSG cumulative deficit c/f			20.2

- 5.3. The total DSG funding allocation for Brent in 2025/26 was £435.7m, representing the total cost of funding education for early years and school age pupils in the borough prior to recoupment by the Department for Education (DfE) in respect of academies (including free schools) within the borough.
- 5.4. During the year, DfE recouped a total of £177.7m, comprising £168.0m from the Schools Block and £9.7m from the HN Block. In addition, £2.7m was recouped in respect of National Non-Domestic Rates (NNDR), which is passed on to billing authorities on behalf of schools. Following these adjustments, the net DSG funding available to the local authority in 2025/26 was £255.3m, as

shown in the Table 1. Separately, £4.8m of sixth form funding was received and fully passported to maintained schools with sixth form provision.

6. Schools Block

- 6.1. The Schools Block allocation was £298.2m. However, £168.0m was recouped by the DfE and allocated directly to academies, £2.7m was recouped for NNDR, and £1.5m was transferred to the High Needs Block. Therefore, the final budget after recoupment and transfers was £126.0m.
- 6.2. The Schools Block surplus of £0.4m arose from underspends across several de-delegated budgets, including those held for contingencies and maternity and paternity cover. In addition, an element of the underspend relates to funding that is retained to manage in-year pupil growth and was not fully required in 2025/26.

7. High Needs Block

- 7.1. The HN Block budget was £82.8m and the allocation includes a contribution of £1.5m (or 0.5%) of Schools Block income. This excludes £9.7m, which was recouped by the DfE to allocate directly to academies. Table 2 below shows the variances against the HN Block budget for 2025/26.

Table 2: High Needs Block Outturn

DSG High Needs Block	2025/26 Budget (£m)	2025/26 Outturn (£m)	2025/26 Variance (£m)
Place funding in Brent maintained schools and ARPS	2.7	2.7	0.0
Top-up funding in Brent maintained schools and ARPS	14.0	13.5	-0.5
Top-up funding in Brent non-maintained Special schools and academies	33.3	35.1	1.8
Independent day and residential settings	11.5	13.7	2.2
Out-of-borough placements	7.6	11.1	3.5
Post-16	5.0	7.1	2.1
Recoupment income	-3.7	-4.0	-0.3
Education Otherwise / Awaiting Placement	2.0	2.6	0.6
Early Years Inclusion Fund	1.1	1.0	-0.1
Support for inclusion	1.0	0.9	-0.1
SEN Services	7.8	7.1	-0.7
SEN Support	0.5	0.2	-0.3
SEN Transport	0.1	0.0	-0.1
Total Expenditure: High Needs Block	82.8	90.9	8.2

7.3 The HN Block reported an overspend of £8.2m. This is primarily driven by an increase in the top-up funding for children placed in special schools and independent non-maintained special schools. This relates to an increase in the number of children with SEND requiring Education, Health and Care Plans (EHCPs) from 3,892 as at March 2025 to 4,306 as at March 2026, an increase of 10.6%. This led to increases in the top-up funding for in-borough mainstream academies and special schools, placements in independent day special schools and alternative education for children awaiting placements, alongside an increasing number of young people progressing into post-16 provision.

7.4 The significant variances are as detailed below:

7.4.1 £2.1m overspends against the top-up funding for post-16 provision. This was mainly due to increased fees and pupil numbers. Final post-16 charges are usually confirmed in the last quarter of the financial year due to the volatile nature of pupil attendance at these settings.

7.4.2 £1.3m overspend on the budgeted HN top-up funding allocation to schools in Brent. This variance was primarily attributed to an increase in the number of pupils with SEND, reflecting a 10.8% growth in FTE pupils across Special, ARP and mainstream settings compared to 2024/25. Additionally, an overspend of £3.5m was incurred for the cost of placing Brent children in settings out of borough due to increased rates.

7.4.3 £2.2m pressure against the independent day and residential top-up funding due to increased number of pupils placed in these settings in addition to an increase of fees for some settings. The number of Brent children in independent schools increased by 12.6% in 2025/26.

7.4.4 These pressures were offset by:

- £0.3m underspend against the recoupment income expected from other local authorities that have placed children in Brent schools, following finalised confirmation of pupil information from schools and actual charges processed.
- £0.7m underspend against the SEN Services budgets due to unutilised funds held for contingencies. Additionally, a further £0.4m underspend was reported across the SEN support and support for inclusion budgets.

8. Early Years

8.1 The £1.0m under-spend against the EY Block is mainly driven from the additional funding from the DfE to cover the increase in provision of free childcare for working parents from September 2025 to 30 hours. This allocation was provided based on an estimated take up of hours by working parents in

Brent. However, take-up has been lower than predicted leading to underspends of £0.6m reported against the under 2- to 2-year-old and the 2-year-old working parent entitlements alone.

- 8.2 EY Block funding is calculated using different census points depending on the entitlement type. Funding for the universal entitlements for all 3- and 4-year-olds, the additional entitlements for eligible working parents of 3- and 4-year-olds, and entitlements for 2-year-olds receiving additional support is based on January 2025 and January 2026 census. In contrast, funding for the working parents' entitlements for 2-year-old and under 2 is derived from termly headcount data from summer and autumn 2025 terms, together with the January 2026 census. As the final allocations are based on actual take-up of entitlements, there is a risk that the DfE may clawback once final census and headcount data is confirmed. An allowance has been made for the potential clawback, with final EY allocations expected to be published in July 2026.

9. Central Block

- 9.1. The budgets held for central service also saw an underspend of £0.2m due to vacancies held throughout year and a reduction in spend towards the training offer. This budget included a contingency of £0.1m which was not utilised and contributed to the underspend.

10. DSG Balances

- 10.1. Following 2025/26 in year deficit of £6.6m, the overall cumulative DSG deficit has now increased to £20.2m (Appendix A).
- 10.2. As part of the transition to a reformed SEND system, the government has committed to supporting local authorities with DSG deficit in phases, with an initial phase in 2026/27 offering a High Needs Stability Grant, which will cover up to 90% of historic HN Block related DSG deficits accrued up to the end of 2025/26. Local authorities and the Integrated Care Board (ICB) must submit local SEND reform plans by 19th June. Acceptance of these plans will result in the payment of up to 90% of local authorities' DSG High Needs Block deficits. Decisions on local area plans are expected by the DfE in early autumn. Payment of this grant is also expected in autumn 2026, subject to a DfE approved local SEND Reform plan. If the first iteration of the plan is not approved, there will be an opportunity to resubmit the plan for approval and funding will be provided in Spring 2027.
- 10.3. As in previous years, the DSG deficit will be disclosed as an earmarked unusable reserve, in line with DfE regulations (the School and Early Years Finance (England) Regulations 2023).

11. School Balances

11.1. Table 3 summarises school balances over the past 4 years. Despite previous reductions in Brent maintained schools' reserve balances of c£2m since 2022/23, the 2025/26 position reflects a positive change with an increase of £1.6m, resulting in a total reserves balance of £13.6m.

Table 3: School Balances 2022/23 to 2025/26

Type of Establishment	No. of Schools	2022/23 School Balances	2023/24 School Balances	2024/25 School Balances	2025/26 School Balances	Increase / (Decrease) in balances
		£m	£m	£m	£m	£m
Nursery	4	0.6	0.6	0.7	0.7	0.0
Primary	45	12.1	10.5	10.2	11.4	1.2
PRU	2	0.9	0.8	0.8	0.5	(0.3)
Secondary	2	(0.3)	(0.4)	(1.2)	(0.7)	0.6
Special	1	1.1	1.3	1.5	1.6	0.2
Totals	54	15.0	12.9	11.9	13.6	1.6

11.2. Of the 54 maintained schools, 31 increased their overall reserves balance (increase of £3.5m) and 23 decreased their balance over the 2025/26 financial year (decrease of £1.9m).

11.3. In summary, whilst some schools have improved their financial positions, the overall picture remains mixed, with many schools continuing to face significant financial pressures:

- Of the 45 maintained primary schools, 26 (58%) compared to 22 (49%) in 2024/25 increased their reserve balance by an average of £103k, and 19 (42%) compared to 23 (51%) in 2024/25 decreased their reserve balances by an average of £78k.
- Four schools cleared their deficits, and four additional schools went into deficit in 2025/26, resulting in eight schools being in deficit at the end of 2025/26. Of the 45 maintained primary schools, 20 have closed with balances of 8% or more and 24 have closed with balances of less than 8%.
- Of the 2 secondary schools maintained, one has seen no significant change in reserves and the other has seen a 45% increase in reserves.
- The only Brent maintained special school saw an increase in reserves of 11% with a £1.6m reserve balance. One of the 2 PRUs decreased their reserves by 14% and the other saw a reduction of 90% compared to balances in 2024/25.
- Of the four nursery schools, two saw an increase in reserves, although one of these remains in deficit, while the other two reported a decline in reserves.

11.4. School balances increased by £1.6m in 2025/26, following a period of decline between 2022/23 and 2024/25. Despite the overall increase in maintained school balances, the underlying position reflects financial pressures driven by

reduced income linked to falling pupil numbers for a few schools, particularly within the Primary phase. While these pressures continue, schools' efforts to manage resources effectively have supported a recovery in balances and contributed to the overall increase.

- 11.5. It is expected that the funding and expenditure pressures within Brent schools will persist with the requirement for schools to take action to balance their budgets. Licensed deficit agreements to recover the deficit over a 3-year period will be arranged with the 4 new schools in deficit. Brent provides targeted financial oversight and recovery support to schools that fall into deficit. The core support includes Licensed deficit arrangements, where the Councils may allow a school to operate with a licensed deficit if it has a robust, council approved plan to repay the deficit, usually within three years. Monitoring and support will be provided to the schools in deficit with deficit recovery planning, with finance and the School Effectiveness Team working with headteachers and governors to create, monitor, and review a detailed recovery plan. The Council uses a risk-based framework to track progress and intervene when needed.

12. Action point from section 6 of 26 February 2026 meeting

- 12.1 It was agreed that details of the latest forecast and place numbers on which the individual school allocations had been based would be provided for members of the Forum with concern also expressed at the impact of the cost pressures being identified in placements and packages outside of the commissioning alliance. These place numbers are now listed in appendix C.

13. Updates for 2026/27

- 13.1 The SEND reform programme and Schools White Paper, published in February 2026, represent a major strategic shift in the education system. This reform aims to create a more inclusive system where mainstream schools play a central role in meeting the needs of children and young people with SEND, supported by earlier intervention and clearer national standards. A new model of support is proposed, including a universal offer alongside targeted and specialist provision, with a strong emphasis on early identification and reducing reliance on statutory processes.
- 13.2 Aligned with the SEND reform, the DfE has confirmed the introduction of new funding to support inclusion in mainstream settings. The DfE has published the methodology and indicative funding calculations for the Inclusive Mainstream Fund for 2026/27. However, final confirmed school level allocations have not yet been formally published. In the interim, indicative allocations can be estimated using the DfE based calculator available at [Inclusive mainstream fund: 2026 to 2027 - GOV.UK](#). This funding is intended to support schools in developing inclusive practice, improving early intervention and meeting additional needs within mainstream provision. Schools are expected to take a whole-school approach to inclusion, supported by additional investment, workforce development, and improved access to specialist advice and services.

- 13.3 A key policy development for 2026/27 is the expansion of free school meals (FSM). From September 2026, eligibility will be extended to all pupils in households receiving Universal Credit, significantly increasing the number of eligible pupils nationally. The DfE has confirmed that this expansion will not be funded through changes to the National Funding Formula; instead, additional funding will be provided via a separate FSM expansion grant which will be passed on to schools via the local authority.
- 13.4 There is no confirmed teachers' pay award yet for 2026/27. The DfE has submitted its evidence to the School Teachers' Review Body (STRB), which is currently considering recommendations for the 2026/27 and subsequent years. The DfE has proposed a multi-year pay award of 6.5% over three years (2026/27 to 2028/29), rather than a single-year increase. This proposal would be weighted towards later years, meaning that the increase in 2026/27 is expected to be relatively small compared to later uplifts.

14. Stakeholder and ward member consultation and engagement

- 14.1 This paper enables consultation with members of Brent's Schools Forum. The recommendations include a requirement for members to note the final position of the 2025/26 DSG budgets.

15. Financial Considerations

- 15.1. The overall DSG budget is reporting a £20.2m deficit as of end of March 2026, representing a continued deterioration in the cumulative position. Financial pressures within the HN Block remain the primary driver of this deficit and continue to intensify. These challenges are consistent with the national trend and not unique to the borough. There is increasing recognition that the current funding system is not keeping pace with the sustained growth in demand. In particular, the continued rise in EHCPs, alongside increasing complexity of need and reliance on high-cost provision is placing ongoing pressure on local budgets.
- 15.2. Although the government has recently set out proposals for SEND reform and signalled increased investment in inclusion and specialist capacity, these reforms are still at an early stage and will take time to translate into operational and financial impact.
- 15.3 The HN Block funding has not increased in cash terms for 2026/27, combined with a continued rise in EHCPs, the deficit is forecast to grow significantly over 2026/27 and 2027/28 despite mitigating actions to reduce the resulting financial impact. The in-year deficit for 2026/27 is estimated at approximately £20.2m, rising to a projected £29.4m in 2027/28. It is anticipated that around 90% of these in-year deficits will be funded by the government, leaving approximately £2.0m and £2.9m respectively to be met from general fund reserves. This is in addition to the £2.0m already accounted for within the council's Medium Term Financial Strategy to cover the expected 10% contribution towards cumulative deficits up to March 2026.

16. Legal Considerations

16.1. There are no legal implications directly arising from this report.

17.0 Equity, Diversity & Inclusion (EDI) Considerations

17.1 Not applicable.

18.0 Climate Change and Environmental Considerations

18.1 Not applicable.

19.0 Human Resources/Property Considerations (if appropriate)

19.1 Not applicable.

20.0 Communication Considerations

20.1 All Schools Forum papers are published and available to members of the public and schools.

Report sign off:

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