	Schools Forum 10 November 2026
	Report from the Corporate Director Children, Young People and Community Development

Dedicated Schools Grant (DSG) Budget Monitoring Report 2026/27

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 2026/27 Appendix 2: Change in National Funding Formula factor values from 2027/28 Appendix 3: Outcome of Local Funding Formula 2027/28 consultation
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 2026/27 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 2026. For reference, Appendix 1 of this report contains a detailed budget breakdown and forecast by funding blocks.

1.2. This report also provides an update on the consultation with schools regarding the Local Funding Formula that will be used to set school budgets for the 2027/28 financial year.

2. Recommendation

2.1. Schools Forum is asked to:

- Note the DSG forecast financial outturn position for 2026/27, as of September 2026.
- Note the forecasted outturn position of the DSG reserve for 2026/27, as of September 2026.
- Note the outcome of the consultation with school regarding the LFF that will be used to set the school budgets for the 2027/28 financial year.

3. Contribution to Borough Plan Priorities and Strategic Context

3.1 This report supports the Council's Borough Plan 2023-2027, specifically the priority of The Best Start in Life, which aims to ensure that children and young people have opportunities, support and high-quality education needed to raise aspirations, achievement and attainment. Through partnership working with schools and other key stakeholders, the Council seeks to ensure fair and equitable access to education for all learners across the borough. This report provides updates on DSG position and related funding matters, ensuring that the Schools Forum remains informed and able to support the effective management and oversight of education funding in Brent.

4. Summary

4.1. The total DSG allocation for Brent, reported to Schools Forum in January 2026, was £452.2m (shown in original allocation column in Table 1).

4.2. Since the previous report, the DfE has updated the DSG allocation to reflect revised 2026/27 academy high needs recoupment data. Table 1 below sets out the resulting changes to the 2026/27 DSG allocations.

Table 1: 2026/27 DSG funding allocation

DSG 2026/27 (Including funding for academies**)**	**Original allocation (Jan 2026)**	**Changes**	**Latest allocation (July 26)**
	£m	£m	£m
Schools block	309.0		309.0
High Needs block	95.2	-0.5	94.7
Early years block	45.5		45.5
Central school services block	2.5		2.5
Total	**452.2**	**-0.5**	**451.7**

4.3. The overall DSG allocation has decreased by £0.5m, from the position approved by Schools Forum in January 2026, due to an in-year adjustment by

the DfE in July 2026. The adjustment relates to the import/export adjustment, reflecting changes in pupil movements between local authorities.

Table 2: 2026/27 DSG Forecast

Funding Blocks (Excluding funding for academies)	**Overall DSG Funding 2026/27 £m**	**Forecast Expenditure £m**	**Overspend/ (Underspend) £m**
Schools Block	126.9	127.0	0.0
High Needs Block	84.1	105.0	20.8
Early Years Block	45.5	45.5	0.0
Central Block	2.5	2.5	0.0
Total DSG	**259.0**	**279.9**	**20.8**

4.4. The DSG forecast is reflecting a deficit of £20.8m, against grant funds of £259m (excluding academies) mainly due to pressures from the High Needs (HN) Block.

4.5. The cumulative DSG deficit brought forward from 2025/26 is £20.2m. Based on current forecasts, a further in-year overspend of £20.8m is expected in 2026/27, which would increase the cumulative DSG deficit to approximately £41m by 31 March 2027. This reflects the ongoing growth in demand for High Needs provision, combined with continued pressures on top-up funding allocations.

4.6. However, following the approval of Brent's Local SEND Reform Plan, the Council is eligible to receive a High Needs Stability Grant covering 90% of its DGS deficit accrued up to 31 March 2026. Brent's allocation is £18.2m, with payment expected in November 2026. The grant will be applied against the historic DSG deficit position, alongside the utilisation of accumulated surpluses on other blocks, a residual deficit of £2m will remain. The Council has established a dedicated reserve from the additional £2.1m Revenue Support Grant received in 2025/26, which is sufficient to fund the remaining balance and support the elimination of the historic cumulative DSG deficit.

4.7. While the High Needs Stability Grant is intended to address the historic deficit position up to 31 March 2026, a further deficit of £20.8m is forecast to arise during 2026/27. The Government has indicated that it will take an "appropriate and proportionate" approach to supporting DSG deficits arising during 2026/27 and 2027/28, although such support will not be unlimited. Future funding arrangements are yet to be confirmed but are expected to take account of local authorities' successful delivery of their approved Local SEND Reform Plans, including the appropriate use of investment funding to establish an Experts at Hand offer.

4.8. 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 2026, and the forecasts provided are those prepared during October 2026.

5. Schools Block

5.1. Of the total £309m Schools Block budget allocated by the DfE to Brent, £179m has been recouped and allocated directly to academies. In addition, £2.9m has been deducted for National Non-Domestic Business Rates (NNDR) to be paid by the DfE directly to the billing authority. Unlike previous years, no transfer has been made from the Schools Block to the High Needs Block for 2026/27. Following the deduction of NNDR and the recoupment for academies, remaining £126.9m Schools Block funding is allocated to Brent maintained schools and to fund centrally retained items including the growth fund.

5.2. The Schools Block is currently forecast to break even.

6. High Needs (HN) Block

6.1. The total HN Block allocation for 2026/27 is £94.7m. After excluding funding £10.6m recouped by the DfE and paid directly to academy providers, the funding available to the local authority is £84.1m

6.2. At the budget setting stage, the HN Block budget was approved with a planned overspend of £14.9m, reflecting the gap between available funding and forecast expenditure. However, the latest forecast as at the end of September 2026 indicates an overspend of £20.8m, an adverse variance of £5.9m against the budgeted position. This reflects continued growth in demand for SEND provision, increasing placement costs and wider inflationary pressures that have exceeded the assumptions made when the budget was approved.

6.3. The growth in EHCPs has continued to accelerate. Between September 2025 and September 2026, the number of children with an EHCP increased from 4,050 to 4,437, representing a growth of 10%, compared with 8% growth between September 2024 and September 2025. Significant pressures remain within the HN Block, driven by increasing demand for SEND support, rising costs associated with independent, residential and out of borough placements and continued growth in EHCP numbers. As a result, expenditure continues to outpace funding growth, contributing to ongoing financial pressures within the HN Block.

Table 3: DSG High Needs Block forecast

	2026/27 Budget (£m)	2026/27 Forecast (£m)	2026/27 Variance (£m)
Place funding in Brent Special Schools and ARPS	2.8	2.8	0.0
Top up funding in Brent Mainstream, Special schools, and ARPs	57.4	56.8	-0.6
Recoupment Income	-3.0	-1.4	1.6
Residential and Independent settings	13.6	14.6	1.0
Out of Borough Top ups	9.8	12.0	2.3
Post 16 Top ups	6.3	7.9	1.6
Early Years Inclusion Fund	1.1	1.1	-0.0
SEN Support Services including Education Otherwise / Awaiting Placement	10.6	10.8	0.2
SEN Support	0.5	0.3	-0.2
Total Expenditure: High Needs Block	**99.1**	**105.0**	**5.9**

6.4 The £5.9m 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 £3.3m due to increased number of pupils placed in these settings and overspend against the Post-16 top-up budget.

6.5. The forecast position is further detailed below:

i. There is a pressure of £1.0m against the education costs of children placed in independent and residential settings and £2.3m pressure against the cost of placing Brent children in schools out of borough.

ii. An overspend has been forecast against the post-16 budget based on an assumed 10% increase in pupil numbers during 2026/27. Whilst the forecast reflects the anticipated growth in demand for post-16 SEND provision, there remains a degree of uncertainty as a number of providers have yet to confirm their final charges to the local authority. As such, the forecast against the post-16 budget line is subject to change later in the financial year.

iii. The pressures of 0.2m against SEN support services, including Education Otherwise/Awaiting Placement is mitigated by the underspend against the SEN support budget.

6.6. The Council continues to monitor the delivery of its Local SEND Reform Plan, which outlines a series of strategic actions aimed at improving outcomes for children with SEND while supporting long term sustainability of SEND services. Oversight is provided 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. The Council is currently preparing

its Quarter 2 SEND Reform monitoring return for submission to the DfE, which will provide an update on progress against the approved reform plan, including demand management initiatives, the development of local provision and implementation of the Experts at Hand model. The Council continues to focus on sufficiency of places, reducing reliance on external placements and ensuring services remain financial sustainable.

7. Early Years (EY) Block

7.1 The EY Block is currently forecast to break even. At the budget setting stage, the EY Block was expected to generate an underspend of approximately £1.4m, primarily due to assumptions regarding the take-up of the expanded childcare entitlement for children aged 9 months to 2 years. However, the latest forecast indicates higher participation levels than originally anticipated, particularly for the Summer 2026 term. As a result, the previously expected underspend has been removed from the forecast. As the funding for EY Block is based on actual participation levels, any increases in take-up will be matched by additional funding received from the DfE through the termly adjustment process.

8 Central Block

8.1 The Central Block of the DSG (£2.5m) funds central services for schools. This includes a set contribution towards pension strain costs for former school employees of £0.17m, which is a long-term annual commitment.

8.2 The Central Block is currently forecast to break even.

9 Dedicated Schools Grant funding and National Funding Formula (NFF) 2027/28 update

9.1 The DfE has confirmed that the structure of the schools NFF will remain unchanged for 2027/28. All existing factors, including basic entitlement, deprivation, low prior attainment, English as an Additional language, mobility, lump sum, sparsity and premises factors, will continue to operate. The Area Cost Adjustment (ACA), Minimum Per Pupil Level (MPPL) and funding floor protections will also remain in place, although factor values will be updated and confirmed when the 2027/28 NFF allocations are published later in autumn 2026.

9.2 The DfE confirmed that funding previously distributed through the Schools Budget Support Grant 2026 (SBSG 26) and funding relating to teachers' pension contributions will be incorporated into the schools NFF for 2027/28. This continues the DfE's policy of simplifying school funding arrangements by rolling grant funding into core formula allocations.

9.3 DSG allocations are expected to be announced in December 2026, 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.

9.4 The Government's expansion of Free School Meals (FSM) eligibility to all children in households receiving Universal Credit will continue to be implemented from September 2026. The DfE has published further guidance on the funding implications of the policy and is expected to provide additional funding through separate arrangements outside of the core schools NFF.

9.5 The Early Years funding reforms introduced from 2026/27, including termly funding adjustments based on participation data and the increase in the minimum pass-through requirement to providers from 96% to 97%, continue to apply in 2027/28. The Council will continue to monitor the impact of these changes on centrally retained Early Years funding and the sustainability of services funded from the Early Years Block.

10 Stakeholder and ward member consultation and engagement

10.1 Cabinet Members are kept abreast of the DSG forecast deficit position as part of the quarterly finance reports submitted to Cabinet.

10.2 A consultation on the 2027/28 Local Funding Formula was undertaken with all schools in the local authority. Response rates were disappointingly low, with only 8 maintained schools together with 1 secondary academy submitting a response. This represents a limited level of engagement from the sector and means that the consultation feedback reflects the views of only a small proportion of schools. The response received will nevertheless be considered and will inform the final recommendations on the 2027/28 LLF. The outcome of the consultation is presented in Appendix 3.

11 Financial Considerations

11.1 The financial implications are set out within the body of this report. Whilst the High Needs Stability Grant arrangements provide a route to addressing Brent's historic DSG deficit position, there remains uncertainty regarding the treatment of deficits arising in 2026/27 and 2027/28. The Government has indicated that it will continue to take an appropriate and proportionate approach to managing these deficits; however, the detailed funding arrangements have not yet been confirmed. Any future support is expected to be linked to the successful delivery of approved Local SEND Reform Plans.

11.2 Since 2020, a statutory override has been in place that enables local authorities to exclude DSG deficits from their main revenue accounts. The override has been extended until 31 March 2028, pending wider reform of the SEND and High Needs funding system. This continues to provide financial protection to local authorities while the Government develops longer-term funding arrangements for SEND services.

12 Legal Considerations

12.1 There are no legal implications for this report.

13 **Equity Diversity & Inclusion (EDI) Considerations**

13.1 Not applicable.

14 **Climate Change and Environmental Considerations**

14.1 Not applicable.

15 **Communication Considerations**

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

Report sign off:

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