

REPORT FOR SCHOOLS FORUM

1.	Date of meeting:	12th June 2026
2.	Title:	Schools Budget - 2025-26 Outturn and 2026-27 Latest Position
3.	Directorate:	Corporate Services

1. PURPOSE OF REPORT

- 1.1 To inform Schools Forum members of the final 2025/26 delegated budget position for maintained schools, along with centrally retained budgets, both of which are funded through the Dedicated Schools Grant (DSG).
- 1.2 To provide an update on school funding for 2026/27, and on the budget position for Local Authority maintained schools, based on the initial budget submissions received in May 2026.

2. RECOMMENDATION(S)

- 2.1 **It is recommended that Schools Forum note the final reported outturn position for Local Authority maintained schools and centrally retained DSG budgets for 2025/26.**
- 2.2 **That Schools Forum note the latest budget projections for Rotherham's maintained schools for 2026/27, including the identified financial risks relating to the schools and centrally retained DSG budgets.**

3. OVERALL SCHOOLS BUDGETS 2025/26

- 3.1 The final DSG funding allocation for Rotherham for 2025/26 was £119.564m. (Confirmed by the DfE in March 2026). This amount is net of schools block academy recoupment of £233.812m in the year.

2025-26 DSG Funding Blocks	Allocation (£m)
Schools Block	25.757
Central School Services Block	1.794
Early Years Block	43.862
High Needs Block	48.151
Total DSG	119.564

- 3.2 The above DSG budgets excludes schools' surplus balances carried forward by maintained schools from the previous financial year and available to schools in 2025/26 to spend.
- 3.3 It also excludes pupil premium grant and other specific grant funding provided by the DfE in 2025/26 and allocated directly to schools in accordance with the grant conditions e.g. Universal Infant Free School Meals, PE & Sports grant, Core Schools Budget Grant; Schools Budget Support Grant, Early years Expansion Grant, National Insurance Contributions grant, etc. The total value of non-DSG grant received from the DfE in 2025/26 and passed onto schools is £10.380m.

4. DELEGATED SCHOOLS BUDGETS – 2025/26 OUTTURN

- 4.1 DSG delegated funding has been allocated to individual schools through the local schools funding formula. The 2025/26 final outturn position (i.e. surplus balances) for all Rotherham maintained schools (excluding the PRU) is as follows:

Surplus Balances	24/25 Outturn £'000	Feb 2026 Forecast £'000	Final Outturn £'000
Nurseries	806	764	930
Primary	1,223	1,007	1,046
Secondary	509	-	-
Special	-	-	-
	2,538	1,771	1,976

- 4.2 For 2025/26, the total surplus balance across all 19 maintained schools (excluding Aspire PRU) is a combined surplus of £1.976m, compared to £2.538m in the previous financial year. During the year, 1 primary school and 1 secondary school converted to academies, which mainly explains the reduction in the reported balance when compared to 2024/25.
- 4.3 At the time of the original budget submission, three primary schools entered the financial year with approved planned deficit positions, totalling £105k. Recovery plans were implemented, alongside some additional financial support, to enable these schools in returning to a sustainable financial position within the agreed timeframe. By the end of 2025/26, four schools were in deficit, with a combined shortfall of £59k.
- 4.4 The table below shows the surplus and deficits balances across all maintained schools for the year.

Surplus Balance bands	2025/26		
	No. of Schools	% number of schools	Total balance (£'000)
Deficit Balance	4	21%	-59
Surplus £1,001 - £50,000	3	16%	94
Surplus £50,001 - £100,000	4	21%	290
Surplus £101,001 - £250,000	5	26%	612
Surplus £250,001 +	3	16%	1,039
Total*	19		1,976

* The above excludes Aspire PRU

4.5 Surplus balances are considered excessive where they exceed 5% of the total budget for secondary schools or 8% for primary schools. *Note: Nursery schools are excluded from the excess surplus balance clawback mechanism.*

4.6 Work is ongoing to assess individual schools' overall balance position under the 'excess surplus balance clawback framework'. Those schools identified as holding excess surplus balances would be contacted and required to submit governor-approved spending plans. The plans will be reviewed by the Assistant Director for Education and Inclusion to ensure that the proposed use of these balances supports pupil needs by the end of the summer term.

5. CENTRALLY RETAINED DSG BUDGETS – 2025/26 OUTTURN

5.1 These relate to budgets for schools' expenditure that are retained centrally and where it is cost effective to be managed by the council. The table below summarises the latest forecast position across all the centrally retained DSG budgets.

	Budget 2025/26 (£m)	Final Outturn (£m)	Forecast Variance (£m)
Schools Block	0.35	0.19	-0.17
Central Schools Services Block	1.79	1.77	-0.02
Early Years Block	43.33	42.24	-1.09
High Needs Block	49.45	53.07	3.62
Total DSG	94.92	97.26	2.34

Schools Block

5.2 The budget of £0.35m consists of the amount de-delegated from maintained schools' funding in addition to central schools block budget managed centrally by the council. Overall, the central schools block budgets shows an overall underspend of £0.168m for 2025-26, mainly attributable to reduced spend against the growth and falling pupil rolls.

	Budget 2025/26 (£m)	Final Outturn (£m)	Forecast Variance (£m)
School Improvement	0.151	0.137	-0.014
Schools in Financial Difficulty	0.037	0.032	-0.005
Trade Union Facility Time	0.017	0.017	-
Growth Funding	0.100	-	-0.100
Falling Rolls	0.050	-	-0.050
Total	0.355	0.186	0.168

Central Schools Services Block (CSSB)

- 5.3 The DSG allocation for CSSB remains unchanged at £1.794m for the year. The CSSB DSG funding is used to support ongoing commitments such as SACRE, Teachers Pensions costs, Schools Forum admin costs, Schools Admissions and Copyright Licensing. A slight underspend of £0.020m is reported for the year across the CSSB budgets.

Early Years Block

- 5.4 An underspend of £1.090m is reported across the Early Years Block for 2025/26, primarily due to the Department for Education's higher assumed headcount numbers for two-year-olds and under-two childcare entitlements, reflecting the full-year impact of the expanded childcare and nursery entitlement. Under the current lagged funding system, an adjustment will be made in July 2026 to reflect actual headcount, including data from the January 2026 census.

High Needs Block

- 5.5 A year end deficit of £3.62m is reported for the High Needs block and mainly relates to SEND provision and support. The deficit is primarily due to increased demand within the SEND system, including rising numbers of pupils with Education, Health and care Plans (EHCP) in mainstream and specialist settings, alongside inflationary cost pressures.).

DSG Reserves position

- 5.6 The above centrally retained DSG overspend of £2.34m has been transferred into the DSG Reserve account. The overall DSG reserve position as of 31 March 2026 (after adjusting for Safety Valve funding received from DfE) is a cumulative deficit of £2.9m. The cumulative deficit will be carried forward into 2026/27 under the DSG statutory override regulation.

5.7 2025/26 represents the final year of the Safety Valve Agreement, through which the Council has managed SEND demand and financial pressures over the past five years. The Government has announced a High Needs Stability Grant to address historic DSG deficits accumulated by local authorities up to 31 March 2026. This grant forms part of the transition to a reformed SEND system and sits alongside the continuation of the statutory override (protection mechanism), which remains in place until 31 March 2028.

5.8 Allocations of the High Needs Stability Grant will only be paid once a local authority has developed and submitted a Local SEND Reform Plan to the Department for Education, and this has been approved as meeting the required criteria. These plans are expected to be developed collaboratively across local area partnerships, reflecting the shared responsibility of the wider system in supporting children and young people.

6. 2026/27 SCHOOLS DSG BUDGETS - LATEST UPDATE

6.1 The DfE published Rotherham’s DSG funding for 2026/27 in December 2025. This informed the budget setting process for the 2026/27 financial year. Individual school budget shares were issued in February 2026 in accordance with the statutory deadline; with a requirement for Local Authority maintained schools to submit approved detailed 3-year budgets to the council by the 16th May 2026.

6.2 The latest confirmed DSG funding allocation for Rotherham for 2026/27 is £374.7m net of adjustment for high needs funded places in academy. The table below compares the latest DSG allocation to the published allocations reported in the January 2026 Schools Forum budget report.

DSG Funding Blocks	Jan 2026 Allocation (£m)	Mar 2026 Allocation (£m)	Change (£m)
Schools Block	271.959	270.492	-1.467
Central Schools Block	2.488	2.488	-
Early Years Block	49.712	49.712	-
High Needs Block	66.989	52.049	-14.940
Total DSG	391.148	374.741	-16.407

- **Schools Block** – the funding allocation is yet to be adjusted for academy recoupment and includes rolled in grants (e.g. School Budget Support Grant and National Insurance Contributions Grants). The funding reduction is due to deductions for DfE payments to billing authorities for NNDR.
- **High Needs Block** – the latest allocation has been adjusted for recoupment for high needs places in academies, which are funded directly by DfE.

6.3 In accordance with the Scheme for Financing schools, maintained schools were required to submit a detailed budget plan for 2026/27 together with a three-year budget plan for the period to 2028-29 to the Council by Friday 16th May 2025. The total net surplus balances as reported by all maintained schools / nurseries in their submitted budget plans for 2026/27 is summarised below:

Value of Balance	No. of Schools	% of Schools	Budgeted balance (£'000)
Deficit Balance	3	16%	-30
Surplus £1,001 - £50,000	9	47%	159
Surplus £50,001 - £100,000	3	16%	221
Surplus £101,001 - £250,000	3	16%	505
Surplus £250,001 +	1	5%	422
Total	19		1,277

6.4 Overall, the total budgeted surplus for 2026/27 is £1.3m. This is significantly lower than the outturn for 2025/26 (£2m) and reflects the planned use of carry-forward balances to support budgets. This provides further evidence of the financial pressures facing schools, including pay increases and rising energy costs. At this stage, it remains unclear to what extent reduced employer pension contribution rates have been reflected in schools' submitted budget plans.

6.5 The 3 primary schools estimating a deficit are being supported through the Schools in Financial Difficulty framework. Discussions are ongoing regarding approval to operate with licensed deficits, which will be dependent on the submission of robust recovery plans demonstrating a return to a sustainable financial position. Where appropriate, support may be provided from the Schools in Financial Difficulty contingency budget to enable necessary actions.

7. FINANCIAL RISKS FACING SCHOOLS IN 2026/27

- **Teachers Pay Award** – As of now (June 2026), no teacher pay award for September 2026 has been formally confirmed by the Government. However, the Department for Education (DfE) has submitted evidence to the School Teachers' Review Body (STRB) for the 2026/27 pay round. The DfE's proposal is for a 6.5% total pay increase spread over three years (2026/27 to 2028/29) – This multi-year proposal is expected to be weighted towards later years, meaning the increase for 2026/27 alone is likely to be relatively small. A final decision is expected before September 2026, typically announced in early–mid summer. Schools have been advised to factor a 2% pay uplift in their budget plans.

- Additional funding has not been provided to schools to support them with the costs of the staff pay awards. The Department for Education “*expects that most schools will need to implement plans to realise and sustain better value from existing spend in addition to the funding being provided through the core schools’ budget to deliver the pay awards*”.
- ***Inflationary Pressures*** – school budget pressures due to inflation remain a significant concern as energy costs have not reduced as originally anticipated. In addition to this, the cost of general provision, other utilities and essential resources continues to rise at a rate that outpaces funding.
- ***Falling Pupil Numbers*** – As the national trend for pupil numbers continues to fall it brings with it a significant impact on school funding across the borough, though fixed costs remain high placing additional pressure on school budgets.

7.1 The Local Authority is able to support schools in financial difficulty in several different ways; for through example growth funding, falling rolls funding, and schools in financial difficulty (SIFD) support. Each of these has different eligibility criteria and schools are encouraged to engage with the authority early to help identify/mitigate risks and access support if required to help them remain financially stable in the current challenging environment.

8. FINANCIAL RISKS FACING CENTRAL DSG BUDGETS IN 2026/27

SEND / High Needs budgets

- 8.1 The principal financial risk to the centrally managed DSG budgets in 2026/27 relates to ongoing pressures within the High Needs Block, particularly in relation to SEND provision. The Council is currently forecasting an in-year High Needs deficit of approximately **£5.5m**, reflecting a continued structural gap between available funding and demand-led expenditure.
- 8.2 Demand for Education, Health and Care Plans (EHCPs) remains the most significant cost driver, with sustained growth expected to continue. There is a risk that actual demand will exceed current assumptions, particularly in the context of SEND reforms, which may lead to increased identification of need and additional pressures entering the system.
- 8.3 There are further risks associated with placement sufficiency and cost, including continued reliance on high-cost independent placements due to insufficient local capacity. Any shortfall in the planned expansion of local provision is likely to result in additional financial pressure.

- 8.4 The delivery of the Local SEND Reform Plan also presents a material risk. Access to High Needs Stability Grant funding is dependent on approval and effective implementation of the plan. The reforms require a system-wide shift towards earlier intervention and increased mainstream inclusion; failure to deliver these changes at pace would limit the Council's ability to manage demand and contain costs.
- 8.5 Finally, wider factors, including inflationary cost pressures and constraints within the national high needs funding system, present ongoing risks. Taken together, these factors create significant uncertainty and are likely to result in further deterioration in the DSG deficit position in 2026/27 and over the medium term.

9. NAMES & CONTACT DETAILS

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