REPORT FOR SCHOOLS FORUM

1.	**Date of meeting:**	**18th September 2025**
2.	**Title:**	**Schools Budgets 2026-27 – Latest Position (July)**
3.	**Directorate:**	**Corporate Services**

1. PURPOSE OF REPORT

1.1 To provide an update on the schools funding for 2026/27 and the latest monitoring position for the Local Authority maintained schools budgets and centrally retained Dedicated Schools Grants (DSG) budgets.

2. RECOMMENDATION(S)

2.1 It is recommended that the schools forum note the latest DSG funding for schools for the 2026/27 financial year.

2.2 That Schools Forum note the forecast positions of Rotherham's maintained schools and the centrally retained DSG budgets for the year.

2.3 That Schools Forum note the government changes to Free School Meals from September 2026

3. LATEST DEDICATED SCHOOLS GRANT 2026/27

3.1 The latest confirmed DSG funding allocation for Rotherham for 2026/27 is £127.69m, which includes a total of £24.60m in Schools Block funding for the LA maintained schools.

	Mar 2026 Allocation (£m)	Jul 2026 Allocation (£m)	Change (£m)
Schools Block	270.49	24.60	-245.89
Central Schools Services Block	2.49	2.49	-
Early Years Block	49.71	49.71	-
High Needs Block	52.05	50.89	-1.16
Total DSG	**127.49**	**127.69**	**-247.05**

3.2 The latest allocation includes the following changes since the last position reported to School Forum in June 2026:

- **Schools Block** – The July DSG allocation reflects the recoupment adjustment relating to academies. This is a cost neutral adjustment, as the £24.60m funding represents the net budget for LA maintained schools.

- **High Needs Block** – the overall reduction of £1.16m is driven by the following factors:

    - reduction of £0.22m as expected due to import/export funding adjustment for pupils placed in other local authority areas
    - reduction of £0.94m relates to the recoupment for high needs places in academy trusts funded directly by the DfE.
    - The net impact on Rotherham's HN budget from the above adjustments is a negative **£0.16m** – as some of the adjustments were anticipated and allowed in the 2026/27 budget.

4. UPDATE ON CENTRALLY RETAINED DSG BUDGETS

4.1 These relate to budgets for schools' expenditure that are retained centrally and where it is cost effective to be managed by the council. It comprises in the main, elements of the schools' block, early years, and the high needs DSG blocks. The table below summarises the latest forecast position across all the centrally retained DSG budgets.

	Budget 2026/27 (£m)	July 2026 Forecast (£m)	Forecast Variance (£m)
Schools Block	0.44	0.44	-
Central Schools Services Block	2.49	2.49	-
Early Years Block	47.57	47.57	-
High Needs Block	52.55	58.96	6.41
Total DSG	**103.06**	**109.46**	**6.41**

Schools Block

4.2 The centrally retained schools block budget of £0.44m comprises the following:

- amount de-delegated from maintained schools' DSG funding (£0.19m), which relates to the following : Schools in Financial Difficulty (SIFD), School Improvement and Trade Union Facility Time. A balanced budget position is current forecast against all the de-delegated budgets.
- DSG budgets managed centrally by the council but relates to all schools and academies (£0.25m) – i.e. Growth Fund and Pupil Falling Rolls. A balanced position is currently forecast for against these budgets.

Central Schools Services Block (CSSB)

4.3 The DSG allocation for CSSB remains unchanged at £2.49m for the year. The funding is used to support ongoing commitments such as SACRE, Teachers Pensions costs, Schools Forum admin costs, Schools Admissions and Copyright Licensing. A balanced budget position is currently forecast for the year across all the CSSB budgets.

High Needs Block Budgets

4.4 A cost pressure of £6.41m is currently forecast for the High Needs block and mainly relates to SEND provision and support. The latest forecast is an increase compared to the planned approved deficit for 2026/27 of £5.5m. The forecast deficit is mainly due to the following; inflationary costs; increase in EHCP pupils in mainstream and special schools; and continuing placements in out of authority independent settings.

4.5 It should be noted that DSG deficits is usually managed within allocated DSG funds, as LAs are not allowed to cover DSG deficits using their General Fund resources. Financial support previously provided through the Safety Valve Agreement ended in 2025/26, the final year of the programme.

4.6 The Government has replaced this with a High Needs Stability Grant, which will fund 90% of DSG deficits accrued by local authorities up to 31 March 2026 (Rotherham's net DSG deficit position is £2.9m at 31 March 2026). Access to this funding is conditional on DfE approval of Rotherham's Local SEND Reforms Plan. The reforms are intended to support a more sustainable SEND system through earlier intervention and increased inclusion in mainstream education settings.

4.7 While Govt funding is yet to be confirmed for 2026/27, it is anticipated that the DfE would provide financial support to local authorities for the current financial year, potentially through an extension of the High Needs Stability Grant.

Overall DSG Reserves forecast position

4.8 Without Government funding or support, the DSG reserve is forecast to reach a cumulative deficit of £9.3m by the end of 2026/27 (this includes the deficit carry forward of £2.9m from 2025/26). Under the current statutory deficit override protection, this cumulative deficit would be rolled forward into 2027/28.

5. UPDATE ON DELEGATED SCHOOLS BUDGETS

5.1 The forecast net balances as reported by 20 LA maintained primary schools, nurseries and the PRU in their July budget monitoring statements are shown below.

	2025/26 Outturn (£m)	2026/27 Original Budget (£m)	2026/27 Latest forecast (£m)	2026/27 Variance (£m)
Nursery	0.93	0.81	0.83	0.02
Primary	1.05	0.73	0.71	-0.02
PRU	-	0.12	-0.02	-0.14
	1.98	**1.66**	**1.52**	**-0.14**

5.2 The main highlights from the above are as follows:

- The July forecast positions indicate a decrease in surplus balances of £0.46m compared to the 2025/26 final outturn position. This could be explained by the increasing use of surplus balances by schools to manage cost pressures.

- When compared to the original budget, the July position shows a net decrease in reported balances of £0.14m. This is driven mainly by a decrease in the PRU balance.

- The latest position includes one school that is operating under a licensed deficit for 2026/27 and has a budget recovery plan in place to return their budget to a sustainable position with an agreed timeframe. The July position shows this school is now projecting a slight surplus for 2026/27.

	Original budget	July 2026 position	Comments
Aston Fence J&I	-£0.002	£0.012	

- Local Authority maintained schools will submit their 2026/27 revised budgets to the council on 16th October 2026.

6. OTHER FUNDING UPDATE

Free Schools Meals

6.1 From September 2026, all children from households in receipt of Universal Credit will become entitled to a free school meal, following new duties introduced through the Children's Wellbeing and Schools Act 2026. This creates two categories of benefits-based FSM.

Targeted FSM – Children from households earnings of less than £7,400, continuing to attract pupil premium and disadvantage funding.

Expanded FSM Children from households in receipt of Universal Credit, with annual household earnings exceeding £7,400 will be entitled to expanded FSM (meals only).

6.2 From 2026/27, schools will receive additional funding to meet the increased costs of providing free meals under the expanded FSM entitlement, with mainstream, special and AP schools funded through a new FSM expansion grant.

6.3 For mainstream schools, the grant will bridge the gap until lagged core funding catches up, calculated on the increase in FSM eligibility between the October 2025 and October 2026 census, at £505 per pupil per annum (pro-rated to £295 for September–March). Allocations will be issued in February 2027 for maintained schools and March 2027 for academies, with academies receiving a further £210 per pupil from April–August 2027.

6.4 From 2027–28, both targeted and expanded FSM funding will flow through core allocations for mainstream schools and through high needs DSG for special and AP schools. Accurate October census returns and verified eligibility rechecks between 1 June and 1 October 2026 are essential, as only pupils with confirmed eligibility will attract funding in 2027–28.

6.4 Schools and local authorities must complete annual eligibility rechecks for all pupils receiving FSM:

- Recheck window: 1 June – 1 October 2026.
- Only pupils with verified eligibility in this period will attract funding in 2027–28.
- Schools must record whether each pupil is targeted or expanded FSM in the October census.
- Accurate October 2026 census returns are critical for funding allocations.

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