

THE SCHOOLS BUDGET 2026/27

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| Cabinet Members & Portfolios | Cllr Susan O'Brien – Children, Families and Education Cllr Eddie Lavery – Finance and Transformation |
| Responsible Officer | Steve Muldoon, Corporate Director of Finance |
| Report Author & Directorate | Luisa Hansen (Head of Finance – Children and SEND) |
| Papers with report | N/A |

HEADLINES

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|---|---|
| Summary | This report seeks Cabinet's approval for the Schools Budget for 2026/27 as required by the Department for Education (DFE). |
| Putting our Residents First Delivering on the Council Strategy 2022-2026 | <p>This report supports our ambition for residents / the Council of: An efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents</p> <p>This report supports our commitments to residents of: A Digital-Enabled, Modern, Well-Run Council</p> <p>This report supports our commitments to residents of: Thriving, Healthy Households</p> |
| Financial Cost | Funding for the Schools Budget is provided by the DFE through the Dedicated Schools Grant (DSG) and as such has no direct impact on the Council's budget requirement. |
| Select Committee | Children, Families & Education |
| Ward(s) | All |

RECOMMENDATIONS

That the Cabinet:

- 1. Approve the Dedicated Schools Grant budgets for 2026/27 as set out in paragraph 1.2, Table 2 below.**
- 2. Approve the Primary and Secondary schools block funding formula for 2026/27 as set out in paragraph 2.2 below.**
- 3. Note the Early Years Funding Formula allocation, for which a consultation with Early Years providers is currently underway as set out Section 3 below.**
- 4. Note the High Needs Block budget for 2026/27, which includes the 0.5% Schools Block Transfer approved through the disapplication process by the Secretary of State on 6 February 2026.**
- 5. Should any further Council approval regarding the Schools Budget 2026/27 be required, agree to delegate authority for this to the Cabinet Member for Finance & Transformation and Cabinet Member for Children, Families & Education and in consultation with the Corporate Director of Finance, to determine under urgency provisions.**
- 6. Request the waiver of the scrutiny call-in period, in accordance with constitutional obligations, so that schools can be formally notified of their approved individual budgets by the 28 February 2026.**

Reasons for recommendation(s)

1. Cabinet is the decision-making body for schools funding issues, and decisions are required on the arrangements to allow for the final School Block budget and Early Years budget funding allocations to be provided to schools by 28 February 2026.
2. The School and Early Years Finance (England) Regulations 2025 requires the Council to consult the Schools Forum on a range of financial matters prior to making decisions on them. On 15 January 2026, the Council consulted the Schools Forum on the 2026/27 Schools Block and Early Years funding allocations.
3. The DfE issued the allocated funding for each block of the DSG for Hillingdon for 2026/27 on 17 December 2025 with the DSG Conditions of Grant document.
4. This report now asks Cabinet to agree the recommendations following these consultations with School Forum and provide relevant delegated authority to be able set the 2026/27 DSG budgets within the required time frames.

Alternative options considered / risk management

5. Cabinet could decide to recommend that the Schools Forum reconsider the proposed Primary and Secondary schools funding formula and the Early Years Funding Formula.

Democratic compliance / previous authority

6. Cabinet approval is required to agree the Schools Budget.

Select Committee comments

7. None at this stage.

SUPPORTING INFORMATION

1.1 Overall Dedicated Schools Block Allocations from the DfE

- 1.1 The Department for Education (DfE) published the draft authority level DSG allocations for the schools, central school services, early years, and high needs blocks on 17 December 2025.
- 1.2 Table 1 sets out the published baseline DSG funding for 2026/27, compared to the 2025/26 DSG allocation that was updated in November 2025.

Table 1: DSG Funding Allocations for 2026/27

| DSG Funding Block | DSG Funding 2025/26 | DSG Funding 2026/27 | Change in Funding | % change |
|-------------------------|---------------------|---------------------|-------------------|-------------|
| Schools | 299,426,354 | 307,863,657 | 8,437,303 | 2.8% |
| High Needs | 72,832,223 | 77,129,711 | 4,297,488 | 5.9% |
| Central Services | 2,511,016 | 2,491,359 | -19,657 | -0.8% |
| Early Years | 48,792,187 | 57,972,729 | 9,180,542 | 18.8% |
| Total DSG Budget | 423,561,780 | 445,457,456 | 21,895,676 | 5.2% |

Table 2: DSG Funding Allocations for 2025/26 and 2026/27 – with adjustments for the Schools Block Transfer to the High Needs Block, 0.5% (£1.497m) in 2025/26 and 0.5% (£1.539m) in 2026/27:

| DSG Funding Block | DSG Funding 2025/26 | DSG Funding 2026/27 | Change in Funding | % change |
|-------------------------|---------------------|---------------------|-------------------|-------------|
| Schools | 297,929,222 | 306,324,339 | 8,395,116 | 2.8% |
| High Needs | 74,329,355 | 78,669,029 | 4,339,675 | 5.8% |
| Central Services | 2,511,016 | 2,491,359 | -19,657 | -0.8% |
| Early Years | 48,792,187 | 57,972,729 | 9,180,542 | 18.8% |
| Total DSG Budget | 423,561,780 | 445,457,456 | 21,895,676 | 5.2% |

1.3 The National Insurance Contributions (NICs) Grant and the full-year equivalent of the Schools Budget Support Grant (SBSG) for 2025/26 have been rolled into the Schools Block for 2026/27 and form part of the increase in comparison for 2025/26 to 2026/27. The NICs and SBSG grants will cease to exist as separate grants upon being rolled into Schools Block. Academies who get their grants on an academic year basis will continue to get the NICs and SBSG grants for April to August 2026.

2.0 School Block Allocations

2.1 The final allocation for Hillingdon's Schools Block Dedicated Schools Grant (DSG) for 2026/27 is £307.9 million prior to recoupment. This figure incorporates the 2025/26 National Insurance Contributions (NICs) Grant and the full-year equivalent of the Schools Budget Support Grant (SBSG), both of which have been consolidated into the Schools Block National Funding Formula (NFF) for 2026/27. In comparison, the 2025/26 allocation was £299.4 million, reflecting a headline increase of £8.4 million (2.8%) before recoupment for academy and free school provision. However, as the combined annualised value of the two grants is £8.0 million, the underlying increase in funding is approximately 0.1%.

2.2 The 2026/27 local schools funding formula will be set by the Council using the following:

- the funding factors in the local Hillingdon schools funding formula will move closer to the factor values in the NFF, with the AWPU rate being set at the 1% higher to lowest rate that can be funded.
- each school will receive a minimum increase in their per pupil funding as per the DfE minimum allocations.
- Hillingdon's 2026-27 local formula will continue to mirror the National Funding Formula, as per funding regulation requirements. Hillingdon does not apply capping and scaling to gains avoids disproportionately impacting the schools with the highest increases in deprivation and mobility, and those with falling rolls, who see the largest per pupil gains through the National Funding Formula.
- The funding ratio per pupil of Primary to Secondary sector is 1 to 1.33.

- The proposed budgets in this report use the Authority Proforma Tool (APT) and operational guidance to update the model.

2.3 Key changes to the schools National Funding Formula in 2026/27 are:

Rolling the School Budget Support grant (SBSG) and the National Insurance contributions (NICs) grant from 2025/26 by:

- adding amounts representing what schools receive through the grants into their baselines.
- adding the value of the lump sums, basic per pupil rates and free school meals (FSM6) parts of the grants onto the respective factors in the NFF.

With regard to SBSG funding, the grant rates are uplifted to make them 'annualised' before they are rolled in to the NFF. (This does not apply to the NICs grant funding, as this was already provided on a full year basis in 2025/26).

Further increases are applied to NFF factor values (on top of the amounts the DfE have added for the NICs grant and annualised SBSG), as can be afforded following the settlement of the core schools' budget for 2026/27.

2.4 It was not proposed to create a Growth Fund allocation for 2026/27 and as a result the allocation is set at £0.

2.5 The Schools Forum did not vote in favour of the 1% Schools Block Transfer proposal or the Education Statutory Duties delegation request. Disapplication requests for both proposals were submitted to the Secretary of State in November 2025. On 6 February 2026, the Council received confirmation that the Secretary of State approved a 0.5% Schools Block Transfer. A formal decision on the Education Statutory Duties delegation request is still awaited. The outcome of this decision will impact the final funding allocations, and the Authority Proforma Tool will need to be updated to reflect the Secretary of State's determinations.

3.0 Early Years Allocations

3.1 The Early Years National Funding Formula (EYNFF) was introduced in April 2017. The Government publishes guidance on how the funding formula should be set and implemented. They also publish the rates that will be allocated to local authorities.

3.2 In terms of the funding formula, the Government set the following requirements:

- In 2026-27, Local Authorities are required to pass-through a minimum of 97% of funding to providers compared to 96% in 2025-26.
- The maximum, now 3% of block funding, is to be retained centrally.
- The Department expects local authorities to announce their funding rates to the childcare providers by 28 February 2026.
- Local authorities (LA) are required to consult providers on annual changes to their local formula.

- 3.3 Local authorities are made aware of the Early Years Block allocation for the following financial years in December of the previous financial year. This allocation is based on the January 2025 census data and is updated throughout the year to reflect the actual take up of the early year settings.
- 3.4 The Early Years Block funding for the financial year 2026-27 is £57.972m. This is an increase of £9.180m. The majority of the increase comes from the full year effect of the 30 hours per week entitlement for eligible children from the term after they are nine months old.
- 3.5 The table below summarises total funding received and the percentage of centrally retained funding between 2025-26 and 2026-27 financial years.

Table 3 Summary of Early Years Block and Centrally Retained Fund

| Funding Streams | FY 2025-26 | FY 2026-27 | Difference between FY 2025-26 and FY 2026-27 | % difference between FYs |
|--|--------------------|--------------------|---|---------------------------------|
| Universal entitlement for 3- and 4-year-olds | £18,684,835 | £20,039,864 | £1,355,029 | 7% |
| Additional working parents of 3- and 4-year-olds | £6,195,776 | £6,662,077 | £466,301 | 8% |
| 2-year-olds of families receiving additional support | £2,828,642 | £2,676,337 | -£152,305 | -5% |
| 2-year-old working parent entitlement | £7,876,976 | £12,319,007 | £4,442,031 | 56% |
| Under 2s entitlement | £11,672,163 | £15,202,924 | £3,530,761 | 30% |
| Total 3-4, 2 and under 2s funding | £47,258,392 | £56,900,209 | £9,641,817 | 20% |
| % allocated to settings | 96% | 97% | | |
| Budget available for settings | £45,368,056 | £55,193,203 | £9,825,147 | 22% |
| % Retained Centrally | 4% | 3% | | |
| Centrally Retained Budget | £1,890,336 | £1,707,006 | -£183,330 | -10% |
| Other passported grants | | | | |
| Early years pupil premium | £300,630 | £367,547 | £66,917 | 22% |
| Disability access fund | £234,500 | £271,050 | £36,550 | 16% |
| Maintained nursery schools supplementary | £383,628 | £433,923 | £50,295 | 13% |
| Total other grants | £918,758 | £1,072,520 | £153,762 | 17% |
| Total Early Years Block | £48,177,150 | £57,972,729 | £9,795,579 | 20% |

3.6 SEN Inclusion fund for 2026-27 is set at £0.750m and the early years contingency fund at £0.100m.

3.7 The table below compares the Early Years national funding formula rates allocated to the Early Years Block between current 2025-26 and the 2026-27 financial years.

Table 4: LA Funding Rates 2025-26 vs 2026-27

| | 2025-26 | 2026-27 | Increase 25-26 & 26-27 | % Increase 25-26 & 26-27 |
|--|---------------|---------------|------------------------------|-----------------------------------|
| | £ (per hr) | £ (per hr) | £ (per hr) | % |
| 3 - 4-year-old: Universal and additional 15 Hrs | 6.81 | 7.38 | 0.57 | 8.37% |
| 2-year-old: Families receiving additional support and working families | 9.85 | 10.29 | 0.44 | 4.47% |
| Under 2 years old | 13.4 | 13.99 | 0.59 | 4.40% |
| MNS supplementary Fund | 6.29 | 6.53 | 0.24 | 3.82% |

3.8 In developing the early years funding formula, the long-term aims are to ensure that funding supports access to the early years entitlement for all eligible children, especially those who may have barriers to access, such as:

- Disadvantaged children e.g. from lower income households
- Children with special educational needs

3.9 For the financial year 2026-27, the following changes were made to the funding formula, together with the reasons why:

3.10 Setting a higher hourly rate for disadvantaged two-year-old children – from April 2024, the working parents' entitlement to funded childcare expanded, so that eligible two-year-olds could access free childcare hours. Prior to this, the only two-year-olds who qualified for the early years entitlement were mostly children from lower income households. Though the expansion of the entitlement was beneficial for many children, take up data suggests that it was more difficult for children from lower income households to access funded childcare. Therefore, the formula was amended so that where settings offered a place to a child qualifying as a disadvantaged two-year-old, the setting would receive an additional £1.50 per hour for that child. This was intended to offer an incentive for settings to offer them places.

3.11 Children with special educational needs – apart from existing funding, such as the Disability Access Fund and EHCPs, children with SEN could be supported through the Early Years Block funding in two ways:

- An additional needs (SEN) supplement for two-year-olds and three- and four-year olds.
- SENIF – a budget that settings applied for support from, to assist with costs involved in providing places for children with emerging needs.

3.12 This approach had several challenges, such as:

- The SEN supplement is calculated using information that settings provide about the children that they provided ‘SEN Support’ to. This information under reported the number of children with SEN. There is also no moderation of the data to validate it. The supplement is also calculated on data from the previous calendar year, so it does not represent children with SEN that settings have currently. Once the supplement is allocated to a setting, it is added to the hourly rate for all children, whether they have SEN or not.
- SENIF is a preferred means of allocating SEN funding, as funding claims are checked, assessed and monitored. However, settings reported that it was time consuming to apply for and the amounts of funding available were not sufficient.

3.13 For 2025-26, the SEN supplement for two-year-olds was removed and the funding was allocated to SENIF instead. The SEN supplement for three- and four-year-olds was reduced by 25% and the funding transferred to SENIF.

3.14 A working group, including childcare settings and schools, met during the summer term 2025 to review the processes involved with applying for SENIF and set up a new, more streamlined process.

3.15 For 2026-27, the Local Authority is consulting on the following changes to the early years funding formula:

- Reduce the additional needs (SEN) supplement for three- and four-year-olds, moving funding to SENIF.
- Further increase the supplement for 2-year-old pupils from a disadvantaged background.

3.16 The Local Authority is not proposing any changes to the formula for funded children aged under two, where payments per child will continue to be paid via an hourly rate that is the same for all funded settings, without any supplements.

3.17 In the long term, the Local Authority proposes to move towards a “real time” funding methodology to support children with SEN in the early years. This would involve removing the additional needs supplement entirely and providing either some or all of this funding to the SENIF budget instead.

3.18 The Local Authority is consulting on whether the Additional Needs supplement should be reduced further in the next financial year and if so, whether this should be by 15% or 25%, with the funding from this being reallocated to SENIF.

- 3.19 The consultation is ongoing and the final decision will post date the submission date for Cabinet papers so the final decision may need to be made under Recommendation 5.

Financial Implications

This is a financial report dealing with funding issues affecting schools. The proposals contained within this report do not affect the General Fund, as the School Budget is funded from the ring-fenced Dedicated Schools Grant.

RESIDENT BENEFIT & CONSULTATION

The benefit or impact upon Hillingdon residents, service users and communities?

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2026/27, including the final individual school budget shares, which must be distributed to schools on or before 28 February 2026.

Consultation carried out or required

The Council is required to consult with the Schools Forum on any changes to the school funding formula and the Early Years Single Funding Formula as prescribed in the Schools Forums (England) Regulations 2025. The Schools Forum has a limited range of decision-making powers with regards to school funding. In most aspects the Schools Forum role is to advise the Council on decisions that rest with Cabinet, such as the school budget.

The main role of the Schools Forum is to be consulted on proposed changes to funding arrangements, including any changes to the School Block funding formula on which the council now has little flexibility as the DFE move towards a Hard National Funding model.

CORPORATE CONSIDERATIONS

Corporate Finance

Corporate Finance have reviewed this report and concur with the Financial Implications set out above, noting that there is no direct financial impact to the General Fund from the proposals contained in this report, funding is to be met from the ring-fenced Dedicated Schools Grant.

Furthermore, it is noted the Statutory Override protects the General Fund from any deficits within the DSG, with costs associated with servicing the deficit being factored into the MTFs refresh.

Legal

There are no legal impediments to the recommendations within this report.

BACKGROUND PAPERS

Nil