

London Borough of Waltham Forest

Report Title	Schools and Early Years Budgets 2026/27
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Meeting / Date	Cabinet, 17 March 2026
Cabinet portfolio	Councillor Kizzy Gardiner, Portfolio Lead Member for Children and Young People 
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Wards affected	All
Public access	Open
Appendices	A: Local Funding Formula 2026/27 and change from 2025/26 B: High Needs Block Budget 2026/27 C: Early Years funding Formula 2026/27 D: Equalities Screener

1. Summary

- 1.1 This report informs Cabinet of the indicative 2026/27 allocations of the Dedicated Schools Grant (DSG) to schools and other education providers.
- 1.2 These allocations were calculated in consultation with and agreed by Schools Forum, schools, and Private Voluntary and Independent providers, including child minders (PVI's).
- 1.3 This report sets out these allocations and the individual budget shares for all schools (maintained schools, free schools, and academies) and other providers. Under regulations, the Local Authority (LA) is required to confirm budget shares to mainstream maintained schools by 28 February 2026. The Department for Education (DfE) use these calculations to confirm final budgets for academies and free schools for the academic year 2026/27 by 31 March 2026.
- 1.4 The draft 2026/27 Local Funding Formula (LFF) for schools which shadows the National Funding Formula was agreed by Cabinet on 13 January 2026. The final LFF is shown at Appendix A.

2. Recommendations
 - 2.1 Cabinet is recommended to:
 - 2.1.1 Approve the final 2026/27 Local Funding Formula for 5-16 year olds at Appendix A.
 - 2.1.2 Note the changes of the Local Funding Formula from 2025/26 as set out in Appendix A.
 - 2.1.3 Note the indicative 2026/27 High Needs Block budget in Appendix B.
 - 2.1.4 Note the 2026/27 Early Years Funding Formula for early years providers at Appendices C.

3. Proposals

- 3.1 For 2026/27 the gross DSG allocation for Waltham Forest is estimated at £380.97 million. The DSG is allocated in four funding blocks: Schools; High Needs; Early Years; and Central School Services.
- 3.2 The change in gross funding is shown in Table 1 below:

Table 1: Gross Dedicated Schools Grant 2025/26 and 2026/27

	2025/26	2026/27	Change	Change
Block	£m	£m	£m	%
School Individual Budgets	253.25	258.29	5.04	1.99%
Schools Growth Fund	0.60	1.08	0.48	79.28%
Schools Block Total	253.85	259.37	5.52	2.17%
High Needs	62.38	65.80	3.42	5.49%
Early Years	46.32	53.85	7.53	16.25%
Central School Services	1.69	1.95	0.26	15.24%
DSG Total	364.24	380.97	16.73	4.59%

- 3.3 The net DSG allocation for 2026/27 cannot yet be confirmed. While the DfE has published the initial gross DSG figures, the detailed recoupment adjustments for academies, NNDR and Further Education institutions have not been released. These deductions are applied centrally by the DfE before funds are passed to local authorities, and until the final recoupment schedule is issued, the Council's net DSG allocation for the next financial year remains unknown.
- 3.4 DSG Schools Block (£259.37 million gross for 2026/27)
 - 3.4.1 Funding is allocated to schools and academies for the education of 5 to 16 year olds by a Local Funding Formula (LFF) determined in consultation with the Schools Forum. The LFF allocates circa 92% of the funding by pupil numbers and pupil characteristics. The allocations for academies are recouped by the DfE and passed to academies directly.

- 3.4.2 In 2018/19 the National Funding Formula (NFF) for schools was introduced and while it remains the government's intention that every school budget should be set on the basis of a single NFF, in 2026/27 LAs continue to determine final funding allocations for schools through a local funding formula. School allocations increased by £5.04 million (2.20%) and the Growth Fund, which supports permanently expanding schools and temporary "bulge" class expansions, increased by £0.48 million.
- 3.4.3 Not all schools will receive an increase in budget as schools' funding fluctuates due to the number of pupils on roll and their characteristics such as deprivation and additional educational needs, however their per-pupil allocations can be protected through the minimum funding guarantee (MFG).
- 3.4.4 In January 2026, Schools Forum agreed that when the LA set the 2026/27 School Budgets, the LA should continue to adopt the NFF locally; set the MFG at 0.0%, the maximum allowed; and allocate any reduction in funding through the basic entitlement per pupil (also known as Age Weighted Pupil Unit or AWPU).
- 3.4.5 A MFG of 0.0% has been applied ensuring that each school has received no reduction in per pupil funding (this excludes the lump sum and rates factors).
- 3.4.6 There was an insufficient £0.56 million of resources once the initial formula had been run and these were allocated by applying a reduction of 0.32% to Basic Entitlement (Age Weighted Pupil Unit or AWPU) rates. This reduced the AWPU for Key Stages 1&2 by £14.00; Key Stage 3 by £19.70; and Key Stage 4 by £22.21.
- 3.4.7 The final Local Funding Formula and the changes from 2025/26 are shown in Appendix A.
- 3.5 DSG High Needs Block (£65.80 million gross for 2026/27)
- 3.5.1 The gross High Needs Block allocation includes place funding for special academies, special resource provisions in mainstream academies and FE institutions which is deducted by the EFSA before passing on the Council's allocation of the High Needs Block. The allocation for the Council after this recoupment is estimated at £55.71 million.
- 3.5.2 Mainstream schools receive additional funding for pupils with Education Health and Care plans (EHCPs) and special schools and special resource provisions receive funding for commissioned places and top-ups where relevant for occupied places.
- 3.5.3 The High Needs budget is indicative as expenditure will change in-year depending on actual occupancy of commissioned places and the numbers of pupils with EHCPs.
- 3.5.4 The indicative budget position for the High Needs Block is shown in Appendix B. This indicates the unmitigated deficit budget of £10.34

million, excluding potential future mitigations that could reduce the forecast budgeted expenditure.

3.6 DSG Early Years Block (£53.85 million for 2026/27)

3.6.1 The government announced in its spring budget 2023 that in addition to the current free early education entitlements the entitlement would be expanded in phases between April 2024 and September 2025 as follows:

- Commencing from April 2024, a provision of 15 hours will be made available to eligible working parents of 2-year-olds.
- Effective from September 2024, 15-hour entitlement will be extended to eligible working parents of children aged 9 months and older.
- Starting from September 2025, a substantial enhancement will be implemented, granting eligible working parents of children aged 9 months to primary school age access to 30 hours of childcare and early education.

3.6.2 The majority of the 2026/27 budget increase is a result of the Government expanding the free early education entitlement (FEEE) offer to working families in phases from April 2024 and offering 30 hours funding to working families for under 2's and 2-year-olds from September 2025. This expanded offer equates to a £2.9m budget allocation increase for under 2's and a £3.3m budget allocation increase for 2-year-olds from working families. In addition there have been increases to the hourly rates payable for 2026/27 compared to those payable in April 2025.

3.6.3 From 2026/27, the DfE will move all early years entitlement streams to a termly funding model (except the Disability Access Fund, which remains annual). Funding will be based on termly census data and updated allocation profiles to better reflect typical delivery across the year, aligning national funding more closely with actual local authority participation. The Early Years Block comprises funding for:

- under 2 year olds for eligible working families;
- 2 year olds from the most disadvantaged backgrounds;
- 2 year olds for working families;
- funding for a universal entitlement of 15 hours per week for 3 and 4 year olds or 30 hours per week for eligible working parents;
- the early years pupil premium;
- the disability access fund; and
- a supplement for maintained nursery schools.

97% of the Early Years Block must be passed through to providers through a formula agreed with providers and Schools Forum.

- 3.6.4 Funding for providers for 3 and 4 year olds comprises a base rate and a deprivation (IDACI) factor. Maintained Nursery Schools receive a supplement. Funding for 2 year olds comprises a base rate for working families entitlement and a deprivation enhancement for benefit related entitlement. Following consultation with childminders operating in the Borough, we will pilot the use of a single hourly rate for childminders for all age ranges which is based on the average hourly rate payable to settings for under 2's, 2 year olds and a ward average rate for 3 & 4 year olds
- 3.6.5 The Early Years Funding rates for 2026/27 alongside the rates for 2025/26 are set out in Appendix C. Individual hourly rates for each setting will include a deprivation element. Funding will change in-year depending on actual occupancy and the number of working families which are entitled to the extended offer of 30 hours per week that take up a place.
- 3.7 DSG Central School Services Block (£1.95 million for 2026/27)
- 3.7.1 This block funds the cost of Admissions, Schools Forum and the Retained Duties of the local authority which support all schools and academies. Each element must be approved by Schools Forum separately. The DfE deducts the cost of Copyright Licences fees from this block.
4. Options & Alternatives Considered
- 4.1 In September 2015 Schools Forum adopted the following principles to be applied to its funding decisions:
- Transparency
 - Fairness
 - Stability
 - Support for vulnerable students
- 4.2 In October 2019 Schools Forum noted the direction of travel towards a NFF and asked officers to model the impact of moving towards NFF funding figures over a transitional period. A task and finish group considered several detailed models and recommended the adoption of the NFF factors and rates in 2020-21, coupled with raising the MFG to the then new upper limit of +1.84%.
- 4.3 These proposals were adopted by Schools Forum in November 2019 and confirmed by a consultation in late November 2019.
- 4.4 From 2021/22 through to 2026/27 Schools Forum has reaffirmed its decision on the NFF together with using the maximum level of MFG available.

5. Council Strategic Priorities
 - 5.1 The key priority is to provide children and young people with good quality education, welfare and health services including better school buildings.

6. Consultation
 - 6.1 In addition to formal consultation with Schools Forum, officers also work with task and finish groups which are set up by Schools Forum from time to time and which are open to all schools and include head teachers and school business managers. The groups consider any changes to funding arrangements and report their conclusions to Schools Forum.

7. Implications
 - 7.1 Finance, Value for Money and Risk
 - Dedicated Schools Grant and the High Needs Block
 - 7.1.1 Funding for schools and PVI settings is through the ring-fenced Dedicated Schools Grant. Any budget variations are contained within the ring-fenced budgets.
 - 7.1.2 Regulations and grant conditions have strengthened the ring-fence by effectively precluding the General Fund supporting the Dedicated School Budget other than issues such as PFI and small items which would require permission from the Secretary of State to be sought.
 - 7.1.3 Following the Budget announcement in November 2025, the government confirmed its intention to move to centrally funded SEND from 1 April 2028. More recently, ministers have announced that local authorities will be eligible for a new grant covering up to 90% of accumulated DSG deficits up to the end of 2025/26. The government has also announced further support for deficits arising in 2026/27 and 2027/28 before the statutory override ends from 1 April 2028 however the details of what this support will be is currently unknown. Any remaining deficit not met by the grant or future support arrangements will fall to be funded from councils' General Fund. Allocations of the High Needs Stability Grant will only be paid once a local authority has developed and submitted to the DfE a Local SEND reform plan which is then approved as meeting the required criteria.
 - 7.1.4 The DSG conditions requires that any LA with an overall deficit on its DSG account or whose DSG surplus has substantially increased during the year, must be able to present a plan to the Department for Education (DfE) for managing their future DSG spend. This information must be shared with stakeholders, such as Schools Forums, parent and carer forum, local headteacher boards or groups.

- 7.1.5 To help LAs to meet this requirement the DfE have provided a DSG management plan template and may require this to be completed prior to discussions on high needs sustainability.
- 7.1.6 The principal cause of the deficit is the significant financial pressure on the High Needs Block locally, and nationally, with the HNB going into deficit in many local authorities. The deficits are being driven by the increase in the numbers of young people needing additional support and the Government's decision to raise the age of those supported to 25 without the provision of additional funding to support this new requirement. Additionally, there have been notable rises in numbers of children within the system reported by several Boroughs post pandemic.
- 7.1.7 As at March 2021 the Waltham Forest DSG reserves moved into a net deficit balance for the first time: £942,000 comprising a deficit on the High Needs Block which has accumulated over several years, offset by surplus reserves on the Early Years Block and the Schools Block
- 7.1.8 The DSG deficit is projected to be £14.83 million as at 31 March 2026 with the movement caused mainly by spend from the High Needs Block exceeding its allocation.
- 7.1.9 Spend on High Needs in 2026/27 is assumed to be an in-year deficit of £10.34 million due mainly to continued growth in EHCPs and cost pressures in out borough placements. There are continued risks from increased costs in FE colleges and any new low incidence high cost EHCPs for the most complex needs where one additional placement in an independent out-borough school would have a significant impact on the outturn.
- 7.1.10 Whilst the High Needs Block allocation shows a headline increase of 5.5% for 2026/27, this uplift is solely due to the rolling-in of existing grants. As a result, there is no real-terms increase compared with the 2025/26 position. Given that the Council is already experiencing significant pressure in the current financial year, which is expected to continue into 2026/27, this level of funding will not be sufficient to meet the projected growth in EHCPs or wider inflationary pressures. Consequently, there is a high likelihood of a further in-year deficit in 2026/27.
- 7.1.11 While there may be insufficient funding for general increases for inflation there is a process in place for parents, carers, and schools to apply for additional SEN funding when necessary to ensure that individual children's needs are met.
- 7.1.12 The Education service is implementing a series of management actions to mitigate this risk and has prepared a draft strategic deficit management plan. The proposed mitigations in the draft plan are predominantly based around reducing the number of requests to assess for children whose needs can be met outside the statutory framework; more cost-effective provision and closer financial management; and improving the workforce capacity to support children

with SEND or at risk of exclusion, through work around Ordinarily Available Provision, training and development across the local system.

Schools Block

- 7.1.14 Funding for schools is through the ring-fenced Dedicated Schools Grant Schools Block. Any budget variations are contained within the ring-fenced budgets.
- 7.1.15 The increase in funding does not cover inflationary pressures. The overall increase in DSG is indicated at 2.0% but this is due to the DfE rolling in several pay and pension grants that are currently being received by schools. The percentage after accounting for the rolling in of these grants is 1.73%, which is significantly below pay and cost inflation.
- 7.1.16 It is important there is a wide distribution in how funding is allocated to schools as 92% of funding is dependent on pupil numbers and characteristics and several schools will have reduced funding due to reductions in their number on roll.
- 7.1.17 Schools Forum has agreed clear criteria around use of a Falling Roll Fund, which supports schools who have falls in actual admissions compared to their Published Admission Number (PAN) or where the LA was unable to support a PAN reduction due to wider capacity needs of the planning area. The criteria have been used by officers to review need each year, there are no schools falling into these criteria for financial year 2026/27.
- 7.1.18 Under Waltham Forest's Education Financial Recovery Plan, the Education Business Effectiveness Service (EBE), has been leading the implementation of a holistic systems approach with the aim of balancing risks across maintained schools. A core aspect of this plan has been the proactive management of Pupil Place Planning at an individual school level, place planning area, and at a borough level. The work around Pupil Place Planning is reported to Head Teacher representatives at the School Organisation and Admissions Board (SOAB). As part of this work the EBE proactively approach schools to have conversations about reducing their PAN or restricting the number in year groups post-admission where appropriate. These reductions are agreed by the school's Governing Body.
- 7.1.19 If a school with a deficit is rated as Requires Improvement by Ofsted and the school's overall effectiveness was also below Good at the previous inspection, the school may be directed to academise, in which case the Council must write off the deficit. This risk is managed by supporting all schools to achieve a rating of Good or Outstanding.
- 7.1.20 In a case of academisation, the LA has a duty to support with the process and while some costs relating to supporting the school as a party to the transfer agreement (e.g. HR costs) are chargeable to the school, other costs will be incurred that relate to the LA's own role as a party to the agreement and will not be chargeable to the school.

- 7.1.21 There continues to be a risk that more schools will use up their reserves and submit deficit budgets, not least due to the impact of falling rolls in primary schools. 20 schools are projecting a deficit in Financial Year 2025/26, with a projected cumulative deficit of £6.5m, although the overall balance across all schools is a surplus of £0.6m. Education Finance Team, together with Education Business Effectiveness officers are working together with these schools to bring them back into a positive reserves position.
- 7.1.22 As maintained schools seek to reduce costs there is a risk to the Council's general fund as redundancy costs for both teaching and non-teaching staff related to savings are a charge to the Council as the employer of those staff. An additional pressure towards retrenchment for primary schools is falling rolls as primary numbers are now falling after several years of growth.
- 7.1.23 A Schools Facing Financial Challenges (SFFC) programme was established which works with schools in deficit or at risk of being so to support schools and to mitigate the risks to the Council. A £1 million one-off reserve was set aside to support the SFFC programme and mitigate risks from deficits and redundancies, Funding covers the period up until January 2027.

Early Years Block

- 7.1.24 Whilst the increase in hourly rates are welcomed, they need to be considered in light of increasing delivery costs. These are due to factors such as increased salary costs as a result of pay agreements and increases in national living wage as well as a competitive market due to recruitment issues, as well as increases to running costs such as utilities, lease/rental/mortgage costs and resources etc.
- 7.1.25 LAs will be required to extend special educational needs inclusion fund (SENIFs) to children aged 9 months to 2 years with special educational needs and disabilities (SEND) who are taking up the free entitlements. The size of the SENIF budget will be increased due to the demand for SENIF post COVID and the additional cohort of children aged 9 months to 2 years that will be eligible during 2026/27. A 5% top-slice has been applied to under 2, 2 and 3&4yo rates to reflect this which will equate to an annual budget of £2.60 million.

7.2 Legal

- 7.2.1 The legal framework for school budgets is based on legislative provisions contained in sections 45-53 of the School Standards and Framework Act 1998 and accompanying regulations. The School and Early Years Finance (England) Regulations 2026 came into force on 11th February 2026. Consultation has taken place in accordance with regulation 9 of existing and previous years regulations.
- 7.2.2 The School and Early Years Finance Regulations 2014 gave effect to the decision to reform school funding through simplified local formulae with greater delegation to schools and new arrangements for funding pupils with high needs. The School and Early Years Finance (England) Regulations 2026 sets the parameters that local authorities must abide

by in determining schools' budgets, and the budgets which are allowed to be retained centrally. They also set out how local authorities are to allocate funding to maintained schools and private, voluntary and independent providers of free early years provision through locally-determined funding formulae. The National Funding Formulae ("NFF") determine local authority DSG allocations. These were introduced in 2018/19 for schools, high needs and central school services; and in 2017/18 for early years. The schools NFF calculates notional school-level allocations, which are aggregated to form local authorities' school funding within the DSG. The introduction of the NFF is in line with reforms by the Department for Education to make the funding system simpler, fairer and more transparent.

7.2.3 The Department for Education issued Operational guidance for local authorities for 2026/27 in December 2025.

7.2.4 The schools budget allocations have been made in accordance with the requirements set out in the regulations.

7.3 Equalities and Diversity

7.3.1 An analysis screening tool has been carried out on this report and has concluded that no major change is required as the assessment has not identified any potential for discrimination or adverse impact and all opportunities to advance equality have been taken.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 The changes to the distribution of funding to schools through the local formula do not in themselves have a direct impact on climate change. Schools use funding to support premises related expenditure including minor works.

7.4.2 There are a range of Climate related projects the Council is working on with schools, including the work of the energy officer assisting schools to reduce their energy use by investing in energy saving technologies.

7.4.3 The Hive (climate education centre) is working with schools on an "Energy Empowered Schools" programme funded by the Carbon Offset Fund. This supports school premises managers to make savings on their energy bills and improve energy efficiency of their facilities."

7.4.4 Schools use the funding to support educational experiences and attainment during childhood and into early adulthood that continue to positively impact people throughout their lives, improving employment opportunities, lifetime earnings and health. The changes in the funding mirror the funding provided by the DfE to ensure equity and transparency between schools aiming to sustain the provision of education.

7.4.5 The extension by the DfE of Early Years provision will increase employment opportunities for some families and improve earnings potential.

7.4.6 The individual needs of pupils are assessed in allocating funding to individual schools and in funding held centrally.

7.4.7 The individual needs of pupils are assessed in allocating funding to individual schools and in funding held centrally.

7.5 Council Infrastructure

7.5.1 There is no direct impact on Council Infrastructure

Background Information (as defined by Local Government (Access to Information) Act 1985

None