

Item 9

Schools Budget 2026/2027

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Brief Summary

This report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Department for Education (DfE). The report sets out the budget proposals for 2026/27 across the four funding blocks.

A meeting of the Forum Chairs' Group will take place on 7 January 2026. Recommendations arising from this meeting around finalising the Schools Budget 2026/27 will be presented to the Forum on 9 January 2026.

Following consideration of the final Schools Budget proposals by the Forum and the Lancashire County Council, the Authority is required to submit a final Schools Block budget proforma for 2026/27 to the DfE by 22 January 2026. This report also provides information on the High Needs, Early Years and Central School Services Blocks for 2026/27, and seeks the formal approval for the budget lines requiring Forum agreement.

Recommendations

The Forum is asked to:

- a) Note the report, including the 2026/27 DSG allocations and the budget proposals for each of the 4 funding blocks.
- b) Note the recommendations from the Forum Chairs' Group meeting on 7 January 2026 (to be presented at the Forum meeting on 9 January).
- c) Support the Schools Budget proposals for 2026/27 for the Schools Block, High Needs Block, Early Years and Central School Services Blocks.
- d) Express any views to be brought to the attention of the Cabinet when setting the 2026/27 Schools Budget.

Background

The DSG is a ring-fenced specific grant allocated to the Local Authority (LA) by the government to support a range of education related services. The DfE currently operate a four-block funding model for funding schools and pre-16 education including early years as follows:



- Schools Block
- Early Years Block
- High Needs Block
- Central Schools Services Block (CSSB)

Each year, the government allocates money to the DSG using a formula to reflect pupils' needs. This is called the National Funding Formula (NFF). The government published its funding notification in December 2025.

For 2026/2027 allocations, the DfE have temporarily suspended the high needs national funding formula, which previously was used to calculate local authorities' high needs allocations. Instead, local authorities' allocations will be based on their 2025/2026 allocations and therefore means there will be no inflationary uplift for the High Needs Block in 2026/27. The DfE will review the methodology for allocating high needs funding so that it supports the wider SEND reforms – no timescales are stipulated.

The table below shows the allocations published on 18th December 2025 and the percentage difference in comparison to the prior year.

Forecast DSG Income	2025/2026 £m	2026/2027 £m	Difference £m	Difference %
Schools Block	1,075.985	1,095.644	19.659	1.83
High Needs Block	235.510	235.510	0	0
Early Years Block	201.544	236.676	35.132	17.43
Central Schools Services Block	8.633	8.311	-0.322	0
Total	1,521.672	1,576.141	54.469	3.58

Details of Lancashire's DSG allocations for 2026/27 and the individual funding blocks are provided in the below tables.

	£m's
Total forecast DSG Income 2026/27	1,550.735
Total Forecast DSG Expenditure 2026/27	1,626.632

Forecast DSG Income	£m's
Schools Block	1,095.644
High Needs Block	235.510
Early Years Block	236.676
Central Schools Services Block	8.311
Gross Total forecast DSG Income	1,576.141
Total deduction for national school's non-domestic rates (NNDR)	-10.122



Total deductions for direct high needs payments made by the DfE	-15.614
Protected CSSB DSG Income as agreed by DfE	0.329
Net Total forecast DSG Income	1,550.735

<u>Forecast DSG Expenditure</u>	£m's
Schools Block	1,090.166
High Needs Block	316.885
Early Years Block	236.676
Central Schools Services Block	8.640
Total deduction for national schools non-domestic rates (NNDR)	-10.122
Total deductions for direct high needs payments made by the DfE	-15.614
Total forecast DSG Expenditure	1,626.632

Many councils across the country are reporting rising deficits on their High Needs Block budgets, with the DSG funding allocation for many years not meeting the growing demand and placement costs for pupils with SEND. The DSG will be set as a deficit budget in 2026/27 with a forecast shortfall of £75.90m.

There is currently a statutory override in place which allows local authorities to carry DSG deficit and not effect local authority general reserves, however this is currently due to end by March 2028. Further details on the statutory override are provided later in this report.

Budget Allocations

Whilst the basic structure of the NFF remains largely unchanged for 2026/27 financial year, nationally funding through the mainstream schools NFF is rising by 2.1% in 2026/2027.

The Council's increase for the Schools Block NFF is 1.83%, which includes funding that was allocated in 2025/2026 through the Schools Budget Support Grant (SBSG) and National Insurance contributions (NICs) grant, which has been 'rolled in' to the schools NFF in 2026/2027 to help simplify the funding system. Key changes to the schools NFF in 2026/2027 are:

- A. The basic per pupil rate, free school meals Ever6 values, and lump sum NFF factors have increased to reflect the rolling in of the separate SBSG and NICs grant from 2025/2026.
- B. On top of this, a further overall increase has been applied to school and pupil-led factors as follows:
 - 2.11% increase has been applied to the basic entitlement; Free School Meal Ever 6 values and the lump sum factors
 - 2.11% increase has also been applied to the Income Deprivation Affecting Children Index (IDACI), low prior attainment (LPA), English as an Additional Language (EAL), mobility, sparsity and split sites factors



- 1.66% uplift has been applied to the Free School Meal factor in the NFF, in line with inflation forecasts.
- C. The settlement ensures that no school will see a cash reduction in its pupil-led per pupil funding they attract, compared to the 2025/2026 baseline, with the funding floor set at 0%. For 2026/2027 the baseline includes rolled in funding to reflect the NICs grant and the annualised equivalent of the SBSG.
- D. The DfE announcements also include Minimum Pupil Funding (MPF) funding levels, which ensures that schools receive a baseline amount per student. The 2026/27 MPF funding levels are listed below and incorporate the rolling in of the NIC & SBSG grants:
- For primary schools, the MPF level will be £5,115 per pupil in 2026/27 compared to £4,995 per pupil in 2025/26, a 2.40% increase
 - For secondary schools, the MPF level will be £6,640 per pupil from 2026/27 compared to £6,465 per pupil in 2025/26, a 2.71% increase

Following the same principle applied to the Schools Block, funding provided through the 2025/2026 Early Years National Insurance Contributions and Teachers' Pay Grant (EYNTPG) has been rolled into the Early Years National Funding Formula (EYNFF), which is the main reason for the increase in funding compared to 2025/26. On top of this inflationary increases have been applied to the Early Years NFF.

In addition, further funding has been provided to Local Authorities within the Early Years Block to support Local Authorities as the DfE move to a termly funding system for all the early years funding streams from financial year 2026/ 2027.

Most of the increase in funding received within the Early Years Block will be passported through to the Early Years sector.

Details of the 2026/27 Dedicated Schools Grant allocations which were notified to the council in December 2025, and the proposed schools expenditure budgets are detailed at Appendix 'A'.

The approach to funding allocation relating to each of the four blocks is set out in the following section:

Lancashire Budget Allocations

The DSG must be deployed in accordance with the conditions of grant and the latest School and Early Years Finance (England) Regulations. Detailed guidance for each block is contained within various operational documents issued by the DfE

Implementation of the regulations and the DSG are made locally, with the local authority working closely with the Schools Forum in developing and setting the budget each year and consults with the Forum on the specific allocations of DSG funding, in accordance with the legislation and guidelines issued by the DfE. This includes the NFF formula factors to be applied in the calculation of the school's individual budgets. As well as the requirement to consult with the Schools Forum on changes to formula funding, the Forum must approve the central expenditure budgets for ongoing



commitments, movements of funding between blocks and the growth fund policy. In setting the budget, the Council works collaboratively with the Schools Forum and its various working groups to identify the best use of funds.

Schools Forum membership is made up of representatives from maintained and academy, primary and secondary schools, nurseries and council officers. The meetings are open to the public and are held every 2-3 months. The Forum has a statutory role in ensuring that school funding across the county is equitable and fair by considering proposals from the council for such areas as the school funding formula and central expenditure from the DSG.

Schools Block

The Schools Block funds mainstream primary and secondary schools and academies. Following consultation with schools and academies in Lancashire, and with the Schools Forum, the Cabinet ratified the use of the National Funding Formula as the Lancashire formula methodology from April 2018. This will continue to apply in 2026/27.

The government funding notification in December 2025, also included the relevant minimum pupil funding (MPF) levels for primary and secondary schools for 2026/27:

For primary schools, the minimum pupil funding level will be £5,115 per pupil in 2026/27 compared to £4,995 per pupil in 2025/26, a 2.40% increase.

For secondary schools, the minimum pupil funding level will be £6,640 per pupil from 2026/27 compared to £6,465 per pupil in 2025/26 a 2.71% increase.

The council will continue to set a Minimum Funding Guarantee (MFG) in its local formulae, which in 2026/27 must be between -0.5% and +0.0%. Following consultation with Lancashire schools, Schools Forum agreed to set the MFG at 0.00%.

Schools Block Transfer

The Regulatory framework continues to allow local authorities to be able to transfer up to 0.50% of their schools block allocation to other blocks of the DSG, with Schools Forum approval.

Due to the pressures facing the high needs block (HNB) which are both of local and national concern, following consultation with schools in the autumn term, the schools forum agreed to transfer 0.50% (£5.48m) from the schools block to the HNB in 2026/27. The transfer will be utilised for spend to save initiatives within the HNB that aim for financial sustainability and improved outcomes for children and young people with Special Educational Needs and/or Disabilities (SEND) and vulnerable learners

Once approved, the Schools Block allocations for 2026/27 must be submitted to the DfE for compliance checking against the DfE regulations and guidance. A proforma is provided by the DfE to facilitate submissions and the deadline for the 2026/27 return is 22 January 2026.



High Needs Block

The High Needs Block funds:

- Special Schools budgets.
- Alternative Provision budgets (mainly Pupil Referral Units).
- Special Education Resource Facility and Special Educational Needs in mainstream schools.
- Individually Assigned Resources for High Needs pupils across all educational establishments.
- Certain Special Education Needs Central Schools Services.

For 2026/2027 allocations, the DfE have temporarily suspended the high needs national funding formula, which previously was used to calculate local authorities' high needs allocations. Instead, local authorities' allocations will be based on their 2025/2026 allocations – **this therefore means there will be no inflationary uplift for the High Needs Block in 2026/27**. The DfE will review the methodology for allocating high needs funding so that it supports the wider SEND reforms, there are currently no timescales stipulated.

In July 2025, Schools Forum received a report detailing the DSG reserve, which for the first time reported an overall deficit position, reaching £22.43m, primarily due to pressures on the High Needs Block (HNB).

Many councils across the country are reporting rising deficits on their HNB budgets, with the DSG funding allocation for many years not meeting the growing demand and placement costs for pupils with SEND. The Council continue to face major challenges with the increasing numbers of pupils with SEND, bringing significant financial and service pressures in this context.

The Schools Forum have agreed several mitigations with an aim to reduce and stabilise the HNB, utilising the 0.50% (£5.48m) schools block transfer, however it is anticipated that despite this, a HNB overspend is likely.

The current forecast DSG position at the end of November 2025, shows an in-year overspend within the DSG of £73.08m due to pressures on the HNB, leading to an increasing DSG deficit of £95.51m by March 2026. There is currently a statutory override in place which allows local authorities to carry DSG deficit and not effect local authority general reserves, however this is currently due to end in March 2028.

In previous years, despite uplifts in the HNB DSG allocation, this has fallen short of the 10.5% three-year England average increase in EHCPs, with demand continuing to outpace funding. The DSG will be set as a deficit budget in 2026/27 with a forecast shortfall of £75.90m.

Government Future SEND Policy

The government statement regarding Dedicated Schools Grant deficits in relation to the High Needs Block is below:



"The government will set out substantial plans for reform of special educational needs provision early in the new year to deliver a sustainable system which – first and foremost – supports children and families effectively. The 2025 Spending Review provided investment for SEND reform. Future funding implications will be managed within the overall government DEL envelope, such that the government would not expect local authorities to need to fund future special educational needs costs from general funds, once the Statutory Override ends at the end of 2027-28. The government will set out further details on its plans to support local authorities with historic and accruing deficits and conditions for accessing such support through the upcoming Local Government Finance Settlement".

More details are expected to be provided by government at a later date, however in addition to the Schools Forum agreed HNB mitigations, the Council may wish to consider use of the general fund to create more local specialist provision places which is likely to reduce the current use of costly independent specialist provision.

Early Years Block

Early Years Block funding is utilised for:

- Funding for the universal 15 hours entitlement for three- and four-year-olds (34YO).
- Funding for the additional 15 hours entitlement for three- and four-year-old children of eligible working parents.
- Funding for the 15 hours entitlement for disadvantaged two-year-olds (2YO).
- Funding for the 15 hours entitlement for working families for two-year-olds.
- Funding for the additional 15 hours entitlement for working families for two-year-olds.
- Funding for 15 hours entitlement for under two-year-olds (Under 2YO).
- Funding for the additional 15 hours entitlement for under two-year-olds.
- Funding for the Early Years Pupil Premium (EYPP) expanded to 2-year-olds and under.
- Funding for the Disability Access Fund (DAF) expanded to 2-year-olds and under.
- Supplementary funding for Maintained Nursery Schools (MNS).

The government introduced an Early Years National Funding Formula from April 2017. This arrangement introduced a formulaic mechanism for distributing early years funding from national Government to each local authority and set a framework that must be used to distribute funding to all types of early education provider, including nursery schools; nursery classes in maintained primary schools; Private, Voluntary, and independent providers and Childminders. The Early Years National Funding Formula introduced a requirement to have a Universal Base Rate for all providers and set out the type and level of supplements that are available.

As detailed in the Chancellor's Autumn 2024 Budget announcements, the early years funded entitlements were expanded to enable working parents of younger children to access funded childcare. From September 2025, eligible working parents of children aged 9 months up to 3 years old can now access 30 hours free childcare per week.



The School and Early Years Finance (England) Regulations state that it is a requirement of all local authorities to pass through 97% of the Funding Rate received by the DfE to early years providers in 2026/27, with up to 3% allowed to be retained by local authorities, however this must have Schools Forum approval.

Historically in Lancashire, the funding rate has been passed through to settings at 100% and no expenditure has been held centrally as is allowed within the funding regulations.

Following a consultation with the early years sector in the autumn term, the schools forum agreed to retain 0.75% (£1.7m) of the early years DSG in 2026/27, which will be used by the local authority to meet its statutory duties around quality assurance and sufficiency, with a significant administration burden put on all Local Authorities due to the recent increases in EY entitlement.

Central School Services Block

This Block is to fund central functions that local authorities carry out on behalf of pupils in state-funded maintained schools and academies in England. The CSSB was first introduced in 2018/19, and effectively replaced the previous Education Services Grant allocations, but the levels of funding have reduced over recent years.

The CSSB allocation for local authorities is split into funding for historic commitments and funding for ongoing responsibilities.

The ongoing responsibilities element of funding is calculated by the DfE on a formulaic methodology based on pupil numbers and deprivation, plus an area cost adjustment. The historic commitments element of the Block funds certain ongoing obligations funded from the DSG.

The DfE has stated that it will continue to unwind the historic commitments funding to zero in future years.

Options and Proposals

The options for budget allocation have been considered in this report. Details of the proposed Lancashire DSG allocations for 2026/27 and the proposals are provided at Appendix 'A'.



Appendix A

Final DSG allocations and pupil data for 2026/27 were published by the DfE on 17 December 2025. Lancashire's Gross 2026/27 DSG allocation is £1,576.142m, with the equivalent Gross DSG income figure for 2025/26 being £1,521.672m.

The 2026/27 DSG allocation has increased by £54.47m. This increase in funding is due to:

- Inflationary uplifts have been applied to pupil led factors on top of the SBSG and NIC grant being rolled into the NFF, with increases applied to the additional needs factors of the NFF. This will tend to benefit pupils with SEND (including those with disabilities) and will support mainstream schools to be inclusive for pupils with SEND.
- Following the same principle as has been applied to the Schools Block, funding provided through the 2025/2026 Early Years National Insurance Contributions and Teachers' Pay Grant (EYNTPG) has been rolled into the Early Years National Funding Formula (EYNFF), which is the main reason for the increase in funding compared to 2025/26. On top of this inflationary increases have been applied to the Early Years NFF
- Further funding has been provided to Local Authorities within the Early Years Block to support Local Authorities as the DfE move to a termly funding system for all the early years funding streams from financial year 2026/2027.
- To Note - For 2026/2027 allocations, the DfE have temporarily suspended the high needs national funding formula, which previously was used to calculate local authorities' high needs allocations. Instead, local authorities' allocations will be based on their 2025/2026 allocations – **this therefore means there will be no inflationary uplift for the High Needs Block**. The DfE will review the methodology for allocating high needs funding so that it supports the wider SEND reforms – no timescales are stipulated.

The sections below provide further details of the Lancashire DSG allocations and presents the estimated Schools Budget for 2026/27.

Dedicated Schools Grant Allocations 2026/27

The DfE sub-divide the DSG allocations into 4 funding blocks: Schools Block, High Needs Block, Early Years Block, and the Central Schools Services Block. These Blocks are all calculated on a formulaic basis.

Information on the allocations for each of the funding blocks is provided below:

Schools Block allocation (£1,095.644m)

The Schools Block allocations for 2026/27 are derived based on illustrative individual Schools National Funding Formula (NFF) allocations calculated by the Government. These calculations translate into primary and secondary units of funding for 2026/27.



These units of funding are multiplied by the number of primary and secondary pupils from the October 2025 census. A Local Authority level allocation for premises factors and growth funding are added to provide a final Schools Block allocation.

In 2025/2026 financial year, mainstream schools were allocated additional funding from the schools budget support grant (SBSG) and the National Insurance contributions (NICs) grant. In 2026/27, this has been incorporated within the National Funding Formula.

It should also be noted that the DfE has introduced changes to the payment process of school business rates. School business rates will be paid by the DfE to billing authorities directly on behalf of all state funded schools. For 2026/27, a rates allocation will continue to be included in the DfE schools NFF but a deduction of £10.122m will be made from the Lancashire Schools Block cash allocation in 2026/27 to account for academy conversions.

High Needs Block allocation (£235.510m)

For 2026 to 2027 allocations, the DfE have temporarily suspended the high needs national funding formula, which previously was used to calculate local authorities' high needs allocations. Instead, local authorities' allocations will be based on their 2025/2026 allocations – **this therefore means there will be no inflationary uplift for the High Needs Block in 2026/27**. The DfE will review the methodology for allocating high needs funding so that it supports the wider SEND reforms – no timescales are stipulated

It should be noted that the HNB allocation is a provisional allocation, and the gross total includes allocations attributable to funded places that will be deducted and made directly by the DfE. These are estimated by the DfE to total circa £15.614m.

Early Years Block allocation (£236.676m)

Allocations for the Early Years Block include:

- Funding for the universal 15 hours entitlement for three- and four-year-olds (34YO).
- Funding for the additional 15 hours entitlement for three- and four-year-old children of eligible working parents.
- Funding for the 15 hours entitlement for disadvantaged two-year-olds (2YO).
- Funding for the 15 hours entitlement for working families for two-year-olds.
- Funding for the additional 15 hours entitlement for working families for two-year-olds.
- Funding for 15 hours entitlement for under two-year-olds (Under 2YO).
- Funding for the additional 15 hours entitlement for under two-year-olds.
- Funding for the Early Years Pupil Premium (EYPP) expanded to 2-year-olds and under.
- Funding for the Disability Access Fund (DAF) expanded to 2-year-olds and under.
- Supplementary funding for Maintained Nursery Schools (MNS).



Lancashire received an increase in allocation in 2026/27 as follows:

- 3 and 4-year-old entitlements - £0.49 per hour uplift.
- 3 and 4-year-old supplementary funding for maintained nursery schools - £0.22 per hour uplift.
- 2-year-old entitlement - £0.38 per hour uplift
- Under 2-year-old entitlement - £0.51 per hour uplift
- Early Years Pupil Premium - £85.50 annual per year uplift.
- Disability Access Fund - £37 annual per year uplift.

Entitlement	2025-26 Funding Rate Received	2026-27 Funding Rate Received	Difference
34YO	£5.71	£6.20	£0.49
34YO MNS	£5.83	£6.05	£0.22
2YO	£7.83	£8.21	£0.38
Under 2YO	£10.63	£11.14	£0.51
EYPP	£570.00	£655.50	£85.50
DAF	£938.00	£975.00	£37.00

Historically in Lancashire, the funding rate has been passed through to settings at 100% and no expenditure has been held centrally as is allowed within the funding regulations.

Following a consultation with the early years sector in the autumn term, the schools forum agreed to retain 0.75% (£1.7m) of the early years DSG in 2026/27, which will be used by the local authority to meet its statutory duties around quality assurance and sufficiency, with a significant administration burden put on all Local Authorities due to the recent increases in EY entitlement.

To further improve the accuracy of funding allocations to local authorities, and to better align our funding patterns with those of local authorities, from the financial year 2026/27 the DfE will change the established entitlements to be funded on a termly approach. This means funding all the early years entitlements using data from termly headcounts and revising the allocation profile of the established entitlements. Overall, these changes will mean funding allocations better match local authorities delivery profile for each term.

Central Schools Services Block (£8.640m)

The Central Schools Services Block (CSSB) is to fund central functions that Local Authority's carry out on behalf of pupils in state-funded maintained schools and academies in England. The CSSB is split into funding for historic commitments and funding for ongoing local authority responsibilities undertaken on behalf of schools.

The historic commitments element reduces each year by 20%, however Lancashire successfully appealed to the DfE many years ago to protect this funding against the annual reduction due to this funding being allocated for a Private Finance Initiative (PFI) school. An additional £0.329m DSG adjustment is forecast to be received in 2026/27.



In Year Adjustments

The Dedicated Schools Grant allocation notified is prior to in-year adjustments for:

- Academies recoupment from the schools block.
- Deduction for centralised paying of National Non-Domestic Rates (NNDR) by the DfE
- Deductions for high needs places in academies and non-maintained special schools.
- Post 16 places.
- Deduction for national copyright licences.
- Updates to the funding for three- and four-year olds.
- Updates to the funding two-year olds.
- Updates to the funding for under 2-year-olds.
- Updates to the early years pupil premium.
- Updates to early years Disability Access Fund.

Forecast total DSG income for 2026/27

The Lancashire DSG allocations for 2026/27 across the 4 funding blocks are shown below:

<u>Forecast DSG Income</u>	£m's
Schools Block	1,095.644
High Needs Block	235.510
Early Years Block	236.676
Central Schools Services Block	8.311
Gross Total forecast DSG Income	1,576.141
Total deduction for national school's non-domestic rates (NNDR)	-10.122
Total deductions for direct high needs payments made by the DfE	-15.614
Protected CSSB DSG Income as agreed by DfE	0.329
Net Total forecast DSG Income	1,550.734

Schools Budget 2026/27

The latest Individual School Budgets across all phases has been constructed using the final datasets made available from the DfE and Lancashire's latest local Early Years and High Needs data.

This Schools Budget estimate has been calculated following discussions with the Schools Forum and where necessary, consultation with Lancashire schools.

The table below summarises the budgets to be allocated from each of the Dedicated Schools Grant funding blocks;



<u>Forecast DSG Expenditure</u>	£m's
Schools Block	1,090.166
High Needs Block	316.885
Early Years Block	236.676
Central Schools Services Block	8.640
Total deduction for national schools non-domestic rates (NNDR)	-10.122
Total deductions for direct high needs payments made by the DfE	-15.614
Total forecast DSG Expenditure	1,626.632

Further details about each block are provided below.

Schools Block (£1,090.67m)

Following a consultation with schools and the Schools Forum as part of the 2018/19 Schools Budget setting cycle, it was agreed to use the Government's NFF methodology as the local Lancashire funding model. Lancashire have continued to mirror the NFF methodology in 2026/27 when calculating allocations to Lancashire schools and will incorporate the changes to the formula introduced nationally that are set out in the main report.

As supported by responses from schools in a consultation held in the autumn term 2025, the Minimum Funding Guarantee (MFG) has been included in the formula at +0.0% and there is no cap on funding gains.

A 2026/27 growth fund requirement, which is used to support Local Authority initiated school expansions, of £2.27m has been included for 2026/27 and has been allocated in full.

As in previous years, local authorities are allowed to transfer up to and including 0.50% of the schools block into another block, with schools forum approval. For a transfer exceeding 0.50%, or without schools forum approval, a disapplication request must be submitted to the Secretary of State

Due to pressures on the HNB, Lancashire schools & academies were consulted on a DSG block transfer of 0.50% (£5.48m) from schools block to the high needs block, which schools forum agreed to at their meeting held on 14 October 202.

The Schools Block expenditure for 2026/27 is therefore estimated in the table below:

<u>Forecast Schools Block Expenditure</u>	£m's
Primary	557.565
Secondary	508.800
All-Through	11.410
Budgeted Growth	2.267
National school's non-domestic rates (NNDR)	10.122
Total	1,090.166
DSG Schools Block Income	1,095.644



For 2026/27, a rates allocation will continue to be included in the DfE schools NFF but a deduction of £10.122m will be made from the Lancashire Schools Block allocation in 2026/27.

The budget forecasts also build in the £5.48m transfer from the Schools Block to the High Needs Block.

High Needs Block (£316.885m)

The High Needs Block expenditure for 2026/27 is estimated in the table below:

	Place funding £m	Top-up funding £m
Delegated to Schools	39.781	150.035
Delegated to Early Years		2.00
FE Colleges		8.01
High Needs Block central costs on a commissioned basis		101.444
Total deductions based on 2026/27 for direct high needs payments made by the DfE		15.056
Additional 2026/27 High Needs places to be paid direct by the DfE		0.558
Total	39.781	277.104

Total Expenditure £ m **316.89**

Total Income £m
(Includes £5.48m transfer from the schools block) **240.99**

The forecast expenditure includes an estimate of the considerable cost and demand led pressures facing the block in 2026/27, which remain both as local and national concern.

Proposals also build in a 0.50% increase to the level for the school specific top up factor rates in special schools and pupil referral units, however the weighted pupil number/banding top up values supporting all high needs pupils are proposed to remain at the 2025/26 value due to the pressures within the high needs block.

The circa £15.056m of deductions in the DSG notifications have been budgeted within HNB, as this relates to direct high needs payments made by DfE.

An extra £0.558m of deductions for 2026/27 has also been included, for additional high needs places that have now been commissioned by the county council at establishments that are directly paid by the DfE.



The budget forecasts also include a £5.48m transfer from the Schools Block to the High Needs Block, which will be utilised on invest to save initiatives within the HNB.

It must be emphasised that the transfer of funding from Schools Block to the High Needs Block cannot be guaranteed for future years.

Early Years Block (£236.676m)

Lancashire has received an increased allocation in 2026/27 mainly due to the extended entitlements within the two-year-old and under 2-year-old entitlement, and to also reflect the DfE introduction of termly census returns to drive funding payable to Local Authorities The rates are as follows:

Lancashire received an increase in allocation in 2026/27 as follows:

- 3 and 4-year-old entitlements - £0.49 per hour uplift.
- 3 and 4-year-old supplementary funding for maintained nursery schools - £0.22 per hour uplift.
- 2-year-old entitlement - £0.38 per hour uplift
- Under 2-year-old entitlement - £0.51 per hour uplift
- Early Years Pupil Premium - £85.50 annual per year uplift.
- Disability Access Fund - £37 annual per year uplift.

3 and 4-year-old entitlements

Lancashire has received an increase of £0.49 per hour, however due to the pressures on the 34YO entitlement, a £0.24 uplift has been applied with what is affordable within the DfE funding allocated.

The 2026/27 funding rate is therefore as follows:

2025/26 Base rate	£5.70 per hour
2026/27 Lancashire Affordable Uplift	£0.24 per hour
2026/27 Base rate	£5.94 per hour

3- and 4-year-old Supplementary funding hourly rate for maintained nursery schools
Lancashire will receive a £0.22 increase in the supplementary funding hourly rate for maintained nursery schools in 2026/27, which will be passed to the maintained nursery schools, providing a revised hourly supplement rate of £6.05 per hour.

2-year-old entitlement

Lancashire has received an increase of £0.38 per hour, with the full increase able to be passed through to the sector in full. In addition, a further £0.01 can be afforded and has been added to the base rate.

The 2026/27 funding rate is therefore as follows:

2025/26 Base rate	£7.46 per hour
2026/27 Lancashire Affordable Uplift	£0.39 per hour
2026/27 Base rate	£7.85 per hour

Under 2-year-old entitlement



Lancashire has received an increase of £0.51 per hour, with the full increase able to be passed through to the sector in full. In addition, a further £0.09 can be afforded and has been added to the base rate.

The 2026/27 funding rate is therefore as follows:

2025/26 Base rate	£10.21 per hour
2026/27 Lancashire Affordable Uplift	£0.60 per hour
2026/27 Base rate	£10.81 per hour

Early Years Pupil Premium

Lancashire will increase our early years pupil premium rate, up to £655.50 per eligible child per year, for 2026/27, in line with national announcements. This is an increase of £85.50 from 2025/26.

Disability Access Fund

Lancashire will increase the disability access fund, up to £975 per eligible child per year for 2026/27, in line with national announcements. This is an increase of £37.00 from 2025/26.

Special Educational Needs Inclusion Fund

Local authorities are now required to have a Special Educational Needs Inclusion Fund for all eligible 3 and 4-year-olds, 2-year-olds and under 2s who are taking up the free entitlements, regardless of the number of hours taken. For 2026/27 the Lancashire fund will total £1.65m.

Early Years Central Fund

Following a consultation with the early years sector in the autumn term, the schools forum agreed to retain 0.75% (£1.7m) of the early years DSG in 2026/27, which will be used by the local authority to meet its statutory duties around quality assurance and sufficiency, with a significant administration burden put on all Local Authorities due to the recent increases in EY entitlement.

The Early Years Block expenditure for 2026/27 is therefore estimated in the table below:

Forecast EYB Expenditure	£m's
Early Years Block under 2-year-olds	74.363
Early Years Block 2-year-olds	62.841
Early Years Block 3 and 4-year-olds	86.678
Early Years Pupil Premium expenditure	3.054
Early Years Disability Access Fund expenditure	1.103
Nursery School Maintained Nursery School	5.284
Special Educational Needs Inclusion	1.650
Early Years Central Fund	1.703
Total	236.676

Total Expenditure £236.676m

Total Income £236.676m



Central Schools Services Block (CSSB)

Total Expenditure £8.640m

Total Income £8.640m

Calculation of the 2026/27 Dedicated Schools Grant budget

	£m's
Total forecast DSG Income 2026/27	1,550.735
Total Forecast DSG Expenditure 2026/27	1,626.632

In July 2025, the Schools Forum received a report detailing the DSG reserve, which for the first time reported an overall deficit position, reaching £22.43m, primarily due to pressures on the HNB.

The current forecast DSG position at the end of November 2025, shows a forecast in-year overspend within the DSG of £73.08m due to pressures on the HNB, leading to an increasing DSG deficit of £95.51m by March 2026. There is currently a statutory override in place which allows local authorities to carry DSG deficit and not effect local authority general reserves, however this is currently due to end by March 2028.

The government has recently announced that SEND provision will be fully absorbed in its overall budget from 2028/29, with more details to be provided by government at a later date.

Whilst the DSG deficit is currently covered by the statutory override, there will still be a cash flow impact as the deficit increases, meaning an increased need to borrow. The forecast deficit for borrowing costs is funding that would otherwise have been used to support services. Please see table below, however please note that figures are subject to change.

Year	Opening Balance £m	Forecast In Year Deficit £m	Forecast Total Deficit £m	Forecast Borrowing Costs £m
2025-26	-22.43	-73.08	-95.51	-6.30
2026-27	-95.51	-75.90	-171.41	-11.31
2027-28	-171.41	-125.11	-296.52	-19.57
2028-29	-296.52	-123.38	-419.90	-27.71

Specific Approvals Needed from the Schools Forum



The School and Early Years Finance (England) Regulations require certain proposals by the Local Authority relating to the Schools Budget to be approved by the Schools Forum.

An indication of the specific proposals that have previously been considered and approved by the Forum is included together with proposals now put forward that require approval.

Function	LA proposals 2026/27	Proposed Expenditure 2026/27 £m
Consultation on Formula Changes		
<ul style="list-style-type: none"> No local formula factor changes are proposed for 2026/27 in any funding block, beyond incorporating the DfE National Funding Formula (NFF) alterations into the local Schools Block formula 	The Forum have previously agreed to use the DfE's NFF as the Lancashire funding formula for the Schools Block budget, and NFF updates for 2026/27 introduced by the DfE are incorporated in the Schools Budget proposals for 2026/27	
<ul style="list-style-type: none"> Movement of up to 0.5% from the schools block to other blocks 	Schools Forum agreed to transfer 0.50% from the schools block to the high needs block at the 14 October 2025 meeting. Details are contained in the Schools Budget 2026/27 report	5.48
De-delegation for mainstream schools	LA proposals for: <ul style="list-style-type: none"> Schools Requiring additional Support Museum service (primary only); Staff Costs Public duties/Suspensions; Approved by the Schools Forum on 14 October 2025	1.094
Contracts (where the LA is entering a contract to be funded from the schools budget)	No Proposals currently	
Financial issues relating to:		
<ul style="list-style-type: none"> arrangements for pupils with special educational needs, in particular the places to be commissioned by the LA and schools and the arrangements for paying top-up funding 	Proposals contained in the High Needs Block Working Group recommendations report to the Forum and the Forum budget papers	186.519



<ul style="list-style-type: none"> arrangements for use of pupil referral units and the education of children otherwise than at school, in particular the places to be commissioned by the LA and schools and the arrangements for paying top-up funding 	Proposals contained in the High Needs Block Working Group recommendations report to the Forum and the Forum budget papers	11.308
<ul style="list-style-type: none"> arrangements for early years provision 	Proposals contained in the Early Years Block Working Group report to the Forum and the Forum budget papers	233.323
<ul style="list-style-type: none"> administration arrangements for the allocation of central government grants 	No Proposals currently beyond passporting DfE allocations to schools	
Minimum funding guarantee (MFG)	Consultation responses on MFG reported to Forum on 14 October 2025 and recommended that the level of MFG to be used in the Lancashire funding formula for 2026/27 be set at +0.0%. This is incorporated into the Forum budget papers	
General Duties for maintained schools Contribution to responsibilities that local authorities hold for maintained schools	No Proposals at this time	
Central spend on and the criteria for allocating funding from:		
<ul style="list-style-type: none"> funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy 	Policy previously agreed by the Schools Forum. Proposal to increase the growth fund unit values in line with increased NFF Minimum Pupil Funding levels each year Final budget proposals are contained in the Schools Budget 2026/27 report	2.269
<ul style="list-style-type: none"> funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years 	No Proposals currently	
Central spend on:		
<ul style="list-style-type: none"> early years block provision (SENIF) 	Final budget proposals are contained in the Schools Budget 2026/27 report	1.65
<ul style="list-style-type: none"> early years block provision (Central Fund) 	Agreed by Schools Forum at 17 December 2025 meeting to retain 0.75% for an early years central fund for 2026/27	1.703



<ul style="list-style-type: none"> • funding to enable all schools to meet the infant class size requirement 	No Proposals currently	
<ul style="list-style-type: none"> • back-pay for equal pay claims 	No Proposals currently	
<ul style="list-style-type: none"> • remission of boarding fees at maintained schools and academies 	No Proposals currently	
<ul style="list-style-type: none"> • places in independent schools for non-SEN pupils 	No Proposals currently	
<ul style="list-style-type: none"> • admissions 	Final budget proposals are contained in the Schools Budget 2026/27 report	0.793
<ul style="list-style-type: none"> • servicing of Schools Forum 	Final budget proposals are contained in the Schools Budget 2026/27 report	0.210
<ul style="list-style-type: none"> • Contribution to responsibilities that local authorities hold for all schools 	No Proposals currently	
<ul style="list-style-type: none"> • contribution to responsibilities that local authorities hold for maintained schools 	No Proposals currently	
Central spend on:		
<ul style="list-style-type: none"> • capital expenditure funded from revenue: projects must have been planned and decided on prior to April 2013 so no new projects can be charged 	No Proposals currently	
<ul style="list-style-type: none"> • contribution to combined budgets: this is where the Schools Forum agreed prior to April 2013 a contribution from the schools budget to services which would otherwise be funded from other sources 	No Proposals currently	
<ul style="list-style-type: none"> • existing termination of employment costs (costs for specific individuals must have been approved prior to April 2013 so no new redundancy costs can be charged) 	No Proposals currently	
<ul style="list-style-type: none"> • prudential borrowing costs – the commitment must have been approved prior to April 2013 	No Proposals currently	
<ul style="list-style-type: none"> • SEN transport where the Schools Forum agreed prior to April 2013 a contribution from the schools budget (this is now treated as part of the high needs block but still requires Schools Forum approval as a historic commitment) 	No Proposals currently	



Central spend on:		
<ul style="list-style-type: none"> high needs block provision 	2026/27 funding level presented as part of the Schools Budget setting proposals	101.444
<ul style="list-style-type: none"> central licences negotiated by the Secretary of State 	2026/27 funding level presented as part of the Schools Budget setting proposals	1.558
Funding of brought forward deficits	No Proposals at this time	

