

## APPENDIX G

### The Schools Funding Settlement

The Dedicated Schools Grant is ringfenced funding from the DFE that is allocated to Councils to fund education in their local area. It is divided into four blocks all of which are intended for specific purposes which are explained below.

Compared to other London Boroughs Havering in general receives less funding per pupil. This is partly because the formulae for distribution include indicators of additional need such as deprivation which are lower in Havering than some other boroughs but also some historic distribution patterns have still not been entirely unwound.

Furthermore there is a nationally recognised shortfall in funding for the High Needs block which has caused most authorities to hold a deficit balance for their DSG. This is subject to a “statutory override” which keeps it separate from the Council’s main reserves position. This is a necessary measure without which many authorities would not have adequate reserves to cover the deficit. It is currently in place until March 2028 having been previously extended. It does not compensate authorities for any issues with cashflow arising from this pressure.

The Government has announced its intention to introduce a range of reforms to the provision of Special Educational Needs funding including the changes to funding and the removal of budgetary responsibility from Councils to Central Government. The full details of these changes have not yet been published.

However the Final Local Authority Funding Settlement did include the announcement of a High Needs Stability Grant that will cover 90% of an authority’s accumulated High Needs Deficit up to March 2026. The forecast deficit for Havering is £68m so the grant will be in the region of £61m leaving a balance of £7m that will be a local contribution.

The table below shows the 2026-27 DSG Allocations for Havering. Although the overall figures appear to have gone up it is important to understand that this in large part reflects the rolling in of additional in year grant funding.

Dedicated schools grant: 2026 to 2027 allocations local authority summary		2026 to 2027 DSG allocations, before recoupment and deductions for national non-domestic rates, and for direct funding of high needs places by Department for Education (DfE)				
		Schools block (£s)	Central school services block (£s)	High needs block (£s)	Early years block (£s)	Total DSG allocation (£s)
		£m	£m	£m	£m	£m
26-27	Havering	269.89	2.26	49.30	55.69	377.14
25-26	Havering	258.18	1.91	47.36	47.71	355.16

#### Schools Block

The Schools Block funding is passported through to maintained schools (both Local Authority schools and Academies/Free Schools) by means of a formula. The funding allocated to each area is calculated based on pupil characteristics for individual schools, aggregated and used to calculate an average “primary/secondary unit of funding.” In addition funding is provided for premises costs and an authority level allocation of funding for pupil growth.

The Units of Funding for Havering have increased by 5.22% in primary and 4.96% in Secondary. The total number of pupils at the Autumn Census date shows a small drop in pupil numbers of 152 in Primary and an increase of 9 at Secondary compared to October 24. Overall this amounts to an increase of £12.1m across the Schools Block as shown in the table below.

		2025-26	2026-27	Change	%
Primary	Unit of Funding	5,580	5,871	291	5.22%
	Pupil Numbers	23,938	23,786	-152	-0.63%
	Total Funding	133,571,407	139,655,931	6,084,524	4.56%
Secondary	Unit of Funding	7,564	7,939	375	4.95%
	Pupil Numbers	15,945	15,954	9	0.06%
	Total Funding	120,604,472	126,650,989	6,046,516	5.01%
TOTAL PUPIL LED FORMULA FUNDING		254,175,879	266,306,920	12,131,041	4.77%
Growth and Falling Rolls		1,293,804	876,134	-417,670	-32.28%
Premises Including NNDR		2,710,054	2,710,054	-	0.00%
<b>TOTAL</b>	<b>Total Funding</b>	<b>258,179,737</b>	<b>269,893,108</b>	<b>11,713,371</b>	<b>4.54%</b>

**However** the increase in funding includes £6.539m of in year grants provided to fund additional costs for pay and national insurance. The real increase in funding after these grants is therefore less than this - £5.592m pupil led formula funding increase or 2.5% per pupil.

With the agreement of the Schools Forum Havering will topslice the schools block by the following amounts:

- £1.349m (0.5%) transferred to High Needs Block
- £1.020m Falling Rolls funding for Schools with changing pupil numbers
- £0.11m to provide a 0% Minimum Funding Guarantee which ensures that no school will receive a cut in their funding per pupil. (This affects only 3 schools.)

As in previous years Havering has used the formula rates used in the National Funding Formula with an area cost adjustment.

In order to remain affordable after the transfers listed above the growth per pupil allocated to each school is capped **at 2%** in order to remain within the funding envelope. All schools in Havering will therefore receive an increase in funding per pupil of between 0% and 2%.

However a large number of primary schools (29) have seen an overall reduction in numbers and for about half (15) this is significant enough that their overall funding will reduce. This will be partly compensated for by using the Falling Rolls scheme mentioned above. However this will could create financial pressures for those schools and is an emerging challenge for the borough.

### High Needs Block

The High Needs Block is used to fund additional support for pupils with Special Educational Needs in a variety of settings including Special Schools (both State and Independent), Special units attached to mainstream schools and “top up” for individual additional support to pupils with EHCPs. It also funds Alternative provision for children who are unable to attend mainstream school for medical or other reasons.

Havering has a highly inclusive model of Special Education and the majority of its spending goes to support pupils in mainstream schools. Although this is a cost effective model the funding available is not sufficient for the level of demand being experienced. The table below shows the pattern of expenditure in 2025-26. There is an in year deficit of £31.4m which when added to the previous years will result in an overall deficit balance of £67.7m on the DSG ringfenced reserve. The new High Needs Stability Grant should provide £60.9m of support for this deficit leaving £6.8m which will ultimately have to be funded locally when the override is removed in March 2028.

	<b>Forecast as @P9</b>
Havering Special Schools	18,219
Out of Borough Maintained Schools	3,898
Primary Top-Up	20,742
Secondary Top-Up	9,320
ARPS and Special Units	4,945
Post 16	3,544
Early Years	663
Independent and Non Maintained	7,526
Alternative Provision	4,202
Inclusion and Central Support	3,113
<b>TOTAL EXPENDITURE</b>	<b>76,173</b>
Funding available	-44,769
<b>In-Year Deficit</b>	<b>31,404</b>

For 26-27 the DfE have not used their own funding formula and have only rolled forward last year’s funding updated for in year grants as shown in the table below.

There is effectively no additional funding for increased demand. This is a holding position before the DfE announce their reform plans. It means that the deficit can only continue to grow at least at the same rate as this year and more likely more. The Government have not confirmed the arrangements for deficits accrued between 2026 and 2028.

<b>High Needs Block</b>	£m
2025-26 Allocation pre recoupment and deductions	49.45
Grant Allocations for Independent Special Schools	0.22
Special and AP Academies Grant	1.64
Grant for Special Units	0.08
Import/Export Adjustment	-2.09
<b>2026-27 Allocation</b>	<b>49.30</b>

Schools Forum have also approved the transfer of £1.349m from the Schools Block to the High Needs Block. This will be in addition to the £49.30m.

Last year Cabinet approved a new rate of £30,000 per place for pupils supported in Special Units which was welcomed by schools. The rolling in of the Special units grant allocation together with an uplift in the basic needs allocation will allow the rate to increase to £30,800 in order to cover the increase in salaries for teaching and support staff.

Over the last year in consultation with Schools the Council has adopted a system of needs banding for top ups to pupils in mainstream schools. The proposed bandings for 2026-27 are shown below. The first £6,000 a year of support (roughly 7 to 8 hours per week) is expected to be met from the School's own budget with High Needs Funding been awarded for any additional support above that. The top ups have also been uplifted by 3% for pay increases – the cost of which is £1.219m. This is funded by the transfer from the Schools Block.

Band		Weekly Notional SEN	Weekly SEN top-up	Total weekly amount of support
A		£153.06	£0.00	£153.06
B		£153.06	£156.56	£309.62
C		£153.06	£259.56	£412.62
D		£153.06	£362.56	£515.62
Ep	Primary	£153.06	£517.06	£670.12
Es	Secondary	£153.06	£568.56	£721.62
F		£153.06	£723.06	£876.12

G	<b>£153.06</b>	<b>£1,186.56</b>	<b>£1,339.62</b>
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### Central Services To Schools Block

Again although this grant appears to have risen this is largely because 2025-26 in year grants have been incorporated. Taking this into account there has been a small reduction in funding of 2.5% per pupil and a reduction in the total number of pupils. This is a relatively small impact this year but it does reduce the amount of support available from the DSG to our statutory educational functions. The funding will be allocated as shown in the table below.

Central Services	£m
Copyright Licences	0.288
Admissions	0.616
Schools Forum	0.051
LA Statutory Responsibilities	1.245
School Partnerships	0.06
<b>TOTAL</b>	<b>2.26</b>

### Early Years Block

This block is continuing to grow with the roll out of the expanded childcare offer for younger children.

The total funding received will depend on how many children make use of the provision which will be funded at the hourly rate shown below.

	2025-26 rate	2026-27 rate	% change
Under 2 years	£12.45	£12.87	3.37%
2 years old	£9.17	£9.49	3.49%
3 or 4 years old	£6.40	£6.87	7.34%

These are the rates paid to the Authority which may retain up to 3% of the funding available to fund central costs. (This is a lower % than previously as the total provision has increased.)\_ We are currently consulting with providers as to how the rest of the funding should be allocated (including what amounts should be set aside for Disability access and Special Educational Needs.)

