

Dedicated Schools Grant

1. Executive Summary

- 1.1. The Dedicated Schools Grant (DSG) is the ringfenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.
- 1.2. The DSG contains four blocks determined by a separate funding formula which calculates the total funding due to local authorities. In considering how the DSG is allocated it is necessary to consider each block separately. This report sets out the recommendations in relation to the Schools Budget for approval by Council. The detail set out in this report has been discussed and agreed by the Schools Forum at its meetings on 09 December 2025 and 12 January 2026.

2. Recommendations:

2.1. That Overview and Scrutiny:

- Note the content of this report.
- Consider whether to make any recommendations to Cabinet on the content of this report.

2.2. That Cabinet approve and commend to Council:

- The Dedicated Schools Grant budget for 2026-27 at £270.891m and approve the allocations between the four funding blocks as set out in this report.
- The Schools and Academies 2026-27 funding unit values as agreed by Schools Forum and detailed at Annex 1.
- Approve the 2026-27 hourly rates for all early years providers as follows:
 - £5.77 per hour including IDACI weighting, for 3 and 4 year olds;
 - £8.35 per hour including IDACI weighting, for 2 year olds; and
 - £11.30 per hour including IDACI weighting, for under 2s.
- Note the position on the Dedicated Schools Grant deficit and Project Safety Valve.

3. Background

Dedicated Schools Grant

- 3.1. Details on the Dedicated Schools Grant were published by Government on 17 December 2025. The allocations for Bury are set out in the following table:

2026 to 2027 DSG allocations, before recoupment and deductions for national non-domestic rates, and for direct funding of high needs places by DfE						
Dedicated schools grant (DSG):		Schools block	Central school services block	High needs block	Early years block	Total DSG allocation
351	BURY	(£s)	(£s)	(£s)	(£s)	(£s)
	Final 2025-26 DSG, including additional grants	170,803,013	1,149,642	53,538,534	31,754,242	257,245,431
	2026-27	176,712,533	1,175,003	53,538,534	39,464,722	270,890,792
	Variance to 2025-26 £	5,909,520	25,361	0	7,710,480	13,645,361
	Variance to 2025-26 %	3.5%	2.2%	0.0%	24.3%	5.3%

3.2. The 4 blocks that make up the DSG are:

The Schools Block

This provides funding for individual mainstream schools and academies as well as growth funding for any planned growth in schools. It is the responsibility of the Council to propose and decide any changes to the formula which is used to allocate Schools Block DSG to all primary and secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

The High Needs Block

This provides funding for the education of pupils subject to Education, Health and Care plans from age 0-25 in a range of provision including special schools, mainstream schools, alternative provision, independent specialist provision and council centrally retained expenditure for high needs support and inclusion. It is the responsibility of the local authority to propose and decide the allocation of High Needs Funding. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

The Early Years Block

This provides separate funding streams from nine months up to two years old, two-year-olds, and three-and-four-year-olds in schools and in the Private, Voluntary and Independent (PVI) sector as well as centrally retained expenditure for under-fives. In 2026-27, Local Authorities must pass through a minimum of 97% of funding for each of the stated funding streams. This leaves a balance of up to 3% that can be retained by the Council to contribute to early years functions delivered by education services, for contingency to allow in-year funding to be provided to providers for increased early years pupil participation and for Early Years SEND inclusion funds. It is the responsibility of the local authority to propose and decide on the allocation of early years funding. The Schools Forum are consulted annually and given an opportunity to give their view on the proposals.

The Central Schools Service Block

This provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. The local authority proposes the spending allocations funded from the Central Services Block, but the final decision is made by the Schools Forum. Central Schools Services includes the admissions service, Schools Forum administration, National Copyright Licenses and other statutory and regulatory duties.

3.3. There is limited flexibility for councils to transfer funding between the four blocks. The Education and Skills Funding Agency (ESFA) has limited the movement from the Schools Block to 0.5% of the total Schools Block allocation but only with the agreement of the Schools' Forum. Any proposed increase on this is subject to approval by the Secretary of State. Movements from the Central Services Block to any other block are not subject to any limit and can be made in consultation with Schools Forum.

3.4. For 2026-27, Bury's Schools' Forum approved a transfer of 0.2% from the Schools' Block to help support the pressures being faced on the High Needs Block. This equates to a £0.350m contribution to help sustain the recovery of the High Needs deficit. A transfer of 0.2% was recommended and approved on the basis that, in order to transfer 0.5% this would not have left sufficient funding within the Schools Block to meet the national funding formula. This decision can only be made on an annual basis and will be reviewed again next year.

3.5. Furthermore, Schools Forum agreed on 12 January 2026, a transfer of £0.131m from the Central Services Block to the High Needs Block for 2026-27 to support with the council's deficit recovery programme on DSG.

4. DSG Allocation

Schools Block National Funding Formula Allocation

- 4.1. The Schools Block Allocation for 2026-27 is £176.7m, this is an increase of £5.9m from 2025-26 (when including additional in-year grant allocations).
- 4.2. In September 2017, the National Funding Formula (NFF) for Schools and Central Services was introduced. The 2026-27 funding factors continue to comply with the national funding formula values.
- 4.3. Schools Forum has considered the allocation of the Schools Block and have made their recommendations. These have been applied to the formula used to determine individual school allocations and ensure full compliance with statutory requirements.
- 4.4. In 2025-26, schools received additional funding through the Schools Budget Support Grant and National Insurance Contributions Grant however, for 2026-27 this funding has been rolled into the baseline DSG allocation.
- 4.5. A full summary of the funding formula factors is set out at Annex 1, and these are recommended for approval by Council.

Central School Services Block Allocation

- 4.6. The allocation of the Central School Services DSG (CSSB) block is £1.175m in 2026-27, this represents an increase of £0.025m from the 2025-26 allocation. The use of the CSSB is determined by the Schools Forum based upon proposals from the Council in respect to funding ongoing responsibilities and central functions undertaken on behalf of schools and academies.
- 4.7. The planned use of this funding block in 2026-27 is:

Central Schools Services Block (CSSB)	2026-27
Section 251 – Central Provision	
1.4.2 Admissions	£225,200
1.4.3 Schools' Forum	£19,300
1.4.14 National Copyright Licences	£216,900
Section 251 - Former ESG Services	
1.5.1 Education Welfare	£305,100
1.5.2 Asset Management	£105,300
1.5.3 Statutory / Regulatory inc. SACRE	£73,800
Section 251 - Other	
1.4.14 Teachers Pay and Pension Grant	£98,203
Transfer to High Needs	£131,200
Total Central School Services Block (CSSB)	£1,175,003

High Needs Block Allocation

- 4.8. Due to the pending Government review of High Needs funding, the overall amount of grant in the 2026-27 High Needs Block has been frozen at the 2025-26 grant level, with the addition of the previously separate grants. The 2026-27 allocation for High Needs DSG is £53.539m. This represents a zero increase from the 2025-26 allocation.

4.9. High needs funding is provided to local authorities through the high needs block of the DSG, enabling them to meet their statutory duties under the Children and Families Act 2014.

4.10. High Needs funding in 2026-27 is therefore based on 2025-26 allocations, without inflation.

Early Years Block Allocation

The Early Years Block allocation for 2026-27 is £39.465m, an increase of £7.710m from 2025-26. The Early Years Block allocation will be adjusted in-year in respect of fluctuations in Early Years participation. From April 2026, the final funding allocation for 2026-27 will be based on termly census data:

Summer Term 2026 13/38ths Autumn Term 2026 14/38ths Spring Term 2027 11/38ths

Therefore, the allocation identified in this report remains indicative.

4.11. For 2026-27, the additional funding increase relates to the free childcare offer introduced in 2025, which has been extended so that eligible working parents in England are able to access 30 hours of free childcare per week for 38 weeks per year from the term after their child turns 9 months to when they start school.

4.12. The initial indicative funding for 2026-27 is as follows:

DSG Early Years Block	2026-27
3&4 YO Basic Entitlement	£9,293,396
3&4 YO Extended Entitlement	£4,492,492
2-year-old disadvantaged entitlement	£1,918,499
2-year-old entitlement for working parents	£8,804,894
Under 2s entitlement	£14,135,613
Early Years pupil premium for 3 & 4-year-olds	£233,798
Early Years pupil premium for 2-year-olds	£133,893
Early Years pupil premium for under 2s	£22,550
Disability access fund for 3 & 4-year-olds	£117,000
Disability access fund for 2-year-olds	£46,800
Disability access fund for under 2s	£7,800
Maintained Nursery Supplementary Funding	£257,987
Total Early Years Block	£39,464,722

4.13. For 2026-27, local authorities are required to pass through at least 97% of funding for each of the following funding entitlement streams individually:

- 3 & 4 YO entitlements
- Under 2's
- 2 YO disadvantaged offer
- 2 YO working parents

Bury Council continues to meet this requirement.

4.14. The remaining grant, up to 3%, can be retained by the council to contribute to central early years functions, contingency for in year increases to early years participation in settings and an Early Years SEND Inclusion Fund. For 2026-27, the retained funding totals 2.8%, with 97.2% being passported.

4.15. In accordance with the statutory requirements, Council is required to approve the hourly rates for Early Years providers which will be applicable from 1 April 2026. These are set out in the table below:

Factor	Hourly Rates
3 & 4 Year Olds	£5.77
2 Year Olds	£8.35
Under 2s	£11.30

The above rates include an average of £0.19 per hour for deprivation. Each child will attract deprivation funding according to the Income Deprivation affecting Children Index (IDACI). The average of £0.19 per hour covers the amounts in table below.

Weighting	2026-27 Supplement per hour
G	£0.00
F	£0.20
E	£0.24
D	£0.37
C	£0.40
B	£0.44
A	£0.57

5. Dedicated Schools Grant Recovery Plan

- 5.1. Costs of high needs have exceeded the available budget for several years with the DSG deficit at the start of the 2025-26 financial year standing at £19.041m, and is expected to be £21.883m as at 31st March 2026. This deficit had accrued for a number of reasons including increasing volumes of pupils receiving Education, Health and Care Plans (EHCPs), increasing complex needs, increasing costs of provision, previously increased numbers of pupils in out of borough placements, as well as more recent investment made into in-borough inclusion.
- 5.2. The Department for Education (DfE) established a DSG Safety Valve Programme to work with councils with the greatest deficits to develop an agreed recovery plan with Bury being one of the first five local authorities to develop an agreement with the DfE.
- 5.3. Bury entered into a formal Safety Valve agreement on 19 March 2021. This original agreement aimed to eradicate the DSG deficit by the end of the 2024-25 with the council to receive an additional £20m of revenue funding to support with its recovery programme.
- 5.4. The council has undertaken extensive work in repairing and rebuilding Special Educational Needs and Disabilities (SEND) services within the borough over the last four years as part of the Safety Valve programme which has included rebuilding the Education Health and Care Plan (EHCP) team, reworking the EHCP process and launching a graduated approach. In addition, there has been extensive work to reduce the cost of provision in borough and there continues to be work on improving sufficiency in Bury.
- 5.5. The work undertaken to date has had an impact and had started to reduce the DSG deficit position, however this has been against a backdrop of unprecedented demand. The zero increase in High Needs funding for 2026-27, increased provider costs, and the planned Government review of SEND Provision will impact the Safety Valve plan. A further review will be undertaken once the outcome of the Government's SEND review is known.

Schools and Academies 2026-27 funding unit values

Factor	Sub-level	2025-26	2026-27	Variance to 2025-26		Of which = 25-26 grant transfer	Variance excl. grant transfer
		£	£	£	%		
Basic Entitlement	Primary	3,847	4,064	217	5.6%	133	2.2%
Age Weighted Pupil Unit (AWPU)	Key Stage 3	5,422	5,686	264	4.9%	146	2.2%
	Key Stage 4	6,113	6,410	297	4.9%	165	2.2%
Deprivation							
Free School Meals	Primary FSM	495	505	10	2.0%	0	2.0%
	Secondary FSM	495	505	10	2.0%	0	2.0%
Free School Meals - Ever 6	Primary FSM 6	1,060	1,210	150	14.2%	124	2.5%
	Secondary FSM 6	1,555	1,725	170	10.9%	132	2.4%
Income Deprivation Affecting Children Indices (IDACI) Primary	IDACI F	235	240	5	2.1%	0	2.1%
	IDACI E	285	290	5	1.8%	0	1.8%
	IDACI D	445	455	10	2.2%	0	2.2%
	IDACI C	490	500	10	2.0%	0	2.0%
	IDACI B	520	530	10	1.9%	0	1.9%
	IDACI A	685	700	15	2.2%	0	2.2%
Income Deprivation Affecting Children Indices (IDACI) Secondary	IDACI F	340	345	5	1.5%	0	1.5%
	IDACI E	450	460	10	2.2%	0	2.2%
	IDACI D	635	650	15	2.4%	0	2.4%
	IDACI C	695	710	15	2.2%	0	2.2%
	IDACI B	745	760	15	2.0%	0	2.0%
	IDACI A	950	970	20	2.1%	0	2.1%
Additional Education Needs Factors							
Looked After Children (LAC)							
English as an Additional Language (EAL)	EAL 3 Years Primary	595	610	15	2.5%	0	2.5%
	EAL 3 Years Secondary	1,595	1,630	35	2.2%	0	2.2%
Mobility	Pupils starting school outside normal entry	965	985	20	2.1%	0	2.1%
		1,385	1,415	30	2.2%	0	2.2%
Low cost, high incidence SEN	Low Attainment Primary (below expected EYFS)	1,175	1,200	25	2.1%	0	2.1%
	Pupils not achieving (KS2 level 4 English and Maths)	1,785	1,825	40	2.2%	0	2.2%
School-Led Factors							
Lump Sum	Primary	145,100	152,700	7,600	5.2%	4,486	2.1%
	Secondary	145,100	152,700	7,600	5.2%	4,486	2.1%
Split Site	Basic Eligibility	54,000	55,100	1,100	2.0%		
	Distance Eligibility Minimum	0	0				
	Distance Eligibility Maximum	27,000	27,600	600	2.2%		
Minimum Per Pupil Funding Levels	MFL - Primary	4,955	5,115	160	3.2%	159	0.0%
	MFL - Secondary	6,465	6,640	175	2.7%	174	0.0%