

Bury Council

Department for Children and Young People

For information

Dedicated Schools Grant (DSG) Quarter 2 Deficit Position 2026-27, and Longer-Term Forecast - DRAFT

Following the reporting of the Council's DSG deficit of £20.285m at March 2026, high level monitoring has been provided showing the draft quarter 2 (Q2) budget monitoring position of the DSG and longer-term financial forecast.

The revised DSG forecast is currently projecting a £13.09m overspend at 31 March 2027 due to forecast in-year overspend within the High Needs Block (HNB). A projected budget gap of £6.81m was forecast at the start of the financial year, with an additional in-year pressure of £6.28m. The forecast total DSG deficit total at March 2027 is therefore £33.375m (excluding HNB stability grant).

Due to DfE funding mechanisms, an Early Years funding deduction of £0.88m has occurred in July 2026, which relates to the underspend reported as part of the Council's 2025/26 outturn report and balances over the two financial years.

The remaining DSG funding blocks are currently forecast to remain near to the agreed budget, however DfE require Council's to report the DSG financial across all four funding blocks, and a forecast summary has been provided in the table below.

There remains significant ongoing financial pressure facing the HNB block as the demand and costs continue to rise as the number of children and young people with EHCPs continues to grow, but the HNB funding from DfE has not kept pace and increased in line with this growth, creating DSG deficit's across many Council's. The DSG is monitored monthly and an updated position will be provided at the next Schools Forum meeting if there are significant changes to the current forecast position.

Draft Q2 DSG Monitoring 2026/27			
	Budget (£m)	Forecast (£m)	Variance (£m)
	Under (-) Over (+)		
High Needs Block	45.93	58.15	12.22
Early Years Block	39.46	39.46	0.00
Schools Block	177.33	177.33	0.00
Central School Services Block	1.18	1.16	-0.01
Early Years Block DSG Adj 2025/26	0.00	0.88	0.88
Total	263.90	276.99	13.09

Draft Dedicated Schools Grant (DSG) Forecast

During 2025-26, the DfE announced the introduction of the High Needs Stability Grant (HNSG) for Autumn 2026, which will fund 90% of the DSG Unusable Reserve at the end of 2025-26. The DSG statutory override is a temporary accounting rule in England that allows local

authorities to separate DSG deficits from their main revenue budgets. This protection prevents councils from breaching their legal duty to set a balanced budget. The Council are still awaiting approval of the local SEND reform plan, however £19.35m has been forecasted to be received from the HNSG within the 2026/27 financial year.

Whilst the HNSG is welcome, the pressure upon SEND and the HNB remains a national issue with funding reform is required due to the significant in year overspend within the HNB forecast. Maintaining the current level of funding and anticipating future demand pressures, a draft DSG forecast has been provided to show the projected impact of demand far exceeding resourcing inclusive of the 90% HNSG funding.

Year	Opening Balance £m	In Year Deficit £m	90% Write Off £m	Total Deficit £m
2026-27	-20.29	-13.09	19.35	-14.03
2027-28	-14.03	-17.41	12.62	-18.81
2028-29	-18.81	-23.22	16.93	-25.10

