Key Assumptions

Service Pressures, Corporate Cost Pressures & Additional Resources, Savings, and Efficiencies

	Updated Budget 2025/26 £m	February 2026 MTFP Position 26/27 £m	27/28 £m	28/29 £m	Total £m
Service Pressures (net of any specific grant changes)					
Wellbeing Directorate	194.6	11.5	7.9	8.2	27.6
Children's Directorate	111.8	9.2	8.2	8.2	25.5
Operations Directorate	60.3	1.3	4.1	5.6	11.0
Resources Directorate	50.2	(0.0)	0.3	1.6	1.9
Service Pressures (net of any specific grant changes)	416.8	22.0	20.5	23.5	66.0
Savings, Efficiencies, Fees & Charges					
Wellbeing Directorate		(3.1)	(1.1)	(0.9)	(5.1)
Children's Directorate		(1.4)	0.0	0.0	(1.4)
Operations Directorate		(4.0)	(2.2)	(1.3)	(7.5)
Resources Directorate		(1.0)	(0.5)	(0.1)	(1.6)
Transformation		(4.4)	(7.5)	(1.2)	(13.1)
Savings, Efficiencies, Fees and Charges		(13.9)	(11.1)	(3.6)	(28.6)
Corporate Items - Cost Pressures					
Transformation Base Revenue Cost	0.0	0.0	0.0	0.0	0.0
Debt Capital Repayment - Minimum Revenue Provision	12.1	0.4	0.4	0.4	1.2
Debt Interest on Borrowings	1.3	0.6	0.2	0.9	1.7
Treasury Management Income	(0.7)	0.0	0.0	0.0	0.0
Pension - Back funding	3.7	(0.2)	0.4	0.2	0.4
Provision for the Pay Award	(0.3)	5.9	4.2	4.3	14.4
Pay and Grading Project	1.7	3.4	(1.4)	(0.2)	1.9
Benefits	(1.3)	0.7	0.0	0.0	0.7
Investment Properties Income	(4.7)	0.0	0.0	0.0	0.0
Miscellaneous including levies	(3.4)	(1.9)	0.9	0.9	(0.1)
Contingency	2.2	1.1	(0.0)	0.0	1.1
Corporate Items - Cost Pressures	10.6	10.0	4.6	6.6	21.2
Funding - Changes	(432.8)	(16.5)	(4.6)	(16.7)	(37.8)
Debt interest due to accumulated SEND deficit	8.1	2.4	2.5	1.7	6.5
Annual – Net Funding Gap	2.8	4.0	11.8	11.5	27.3
Application of one-off business rates resources to MTFP	(2.8)	(4.0)	6.8	0.0	2.8
Annual – Net Funding Gap	0.0	(0.0)	18.7	11.5	30.1
Cumulative MTFP – Net Funding Gap		(0.0)	18.7	30.1	

Appendix 3

The 2026/27 Budget and Medium-Term Financial Plan (MTFP) as presented is based on numerous key assumptions that although they have been informed by many factors such as government announcements, economic forecasts, and trend analysis, are also based on professional judgement. These can be listed as follows.

1. Wellbeing

Service Pressures £11.5m for 2026/27 (6.5% increase over the 2025/26 budget as adjusted for the government fair funding review) for demand and inflationary increases.

Adult Social Care and Commissioning

The MTFP makes provision for an additional gross £27.2m investment in adult social care services over the 3-year period to March 2029 (£11.4m in 2026/27). Funding support towards these pressures has been assumed at the level of £0.4m in 2026/27 and £0.4m of growth each year afterwards. The pressures, which exclude the impact of the pay award on the services staff, arise from a combination of:

1) Assumptions around inflationary pressures within the care market. These pressures relate mainly to increases for providers in staffing costs where a significant driver is the consequential impact of changes in the national living wage (NLW) with this estimated at £11.8m over the 3 years.

2) It is worth noting that ringfenced grants (market sustainability and Improvement fund and the social care support grant) currently built into the adult service are being rolled into the non-ringfenced revenue support grant (RSG) in the government's fair funding review process from 2026/27. Cost of services funded via rolled grants remains within Adult Social Care at the same level as budgeted in 2025-26 financial year.

3) Demographic growth for all client groups is provided for at £11.5m over the 3-year period.

The NLW remains a key driver for the cost of care services affecting 70% of the cost of providing home care and 65% for residential fees. The government supported the Low Pay Commission's suggestion that the NLW hourly rate is to grow to £12.71 from April 2026, which translates into a 4.1% increase. The cost of care in the MTFP has been taken forward from this base.

The remaining 30%-35% of the cost of providing care is driven by other cost of living factors assumed to increase in 2026/27 by £1m and by a further £1.2m and £1.4m in 2027/28 and 2028/29, respectively.

The Health Secretary has announced plans to improve care workers pay along with the introduction of a new sector-wide negotiation body to lead on pay conditions between employers, trade unions and employees. These changes are to come into force in 2028 with £500m of new funding from government for the sector. The current MTFP does not yet factor in these changes.

Housing & Public Protection

The Housing & Public Protection service continues to face challenges across the 3-year MTFP, with £0.5m of growth included in 2026/27 and recurring pressures forecast through to 2028/29. These pressures reflect the ongoing impact of inflation on housing related support and community safety contracts, alongside the need to meet statutory obligations and maintain essential services.

From 2026/27, under the government's fair funding review, key ringfenced grants for Housing & Public Protection – namely the Homelessness Prevention Grant (HPG), Rough Sleeping

Prevention and Recovery Grant (RSPARG), and Domestic Abuse Safe Accommodation Grant – will be consolidated into a single ringfenced grant. In addition, a significant proportion of the former HPG will transfer into the non-ringfenced Revenue Support Grant (RSG). While the funding routes change, service costs supported by these grants are assumed to remain at 2025/26 budgeted levels.

2. Children's Services

Service Pressures of £9.2m for 2026/27 (8.2% increase over the 2025/26 budget as adjusted for the government fair funding review) for demand and inflationary increases)

The MTFP makes provision for an additional gross £25.5m investment in children's services over the 3-year period to March 2029 (after additional specific grants). This pressure, which excludes the impact of future pay awards on the services staff, is a combination of:

1) Children in care costs: Extra £7m uplift in 2026/27 followed by further annual uplifts of £6m in each and every year thereafter.

   a. Nationally the numbers of children in care during 2025/2026 have shown a slight decline which has been contributed to by a drop in Unaccompanied Asylum-Seeking Children (UASC) entering the care system. During the same period BCP has seen an increase in the number of children entering care, overall, an increase of 13.8% when compared to 2024/2025 outturn. UASC entering our care for the same period increased by 20.5%.

   b. BCP Council places a higher proportion of children in in-house care (48%) than its statistical and neighbouring comparators (43-44%). Recent increases since 2024 have been driven primarily by growth in kinship care, with placements now almost evenly split between mainstream and kinship carers. Without a sustained growth in approved mainstream carers, BCP's capacity to meet future placement demand is at risk.

   c. The local registered parent assessment units and residential / supported children's home market has increased significantly providing more choice of provision for children in care. Providers received an average fee increase of 4% for 2025/2026 which has contributed to budget pressure.

   d. The complexity of children in care continues to be a concern, there is an emerging trend for providers to request additional funding to support the child once placed.

   e. A children in care (CIC) strategy is being developed to support these issues.

2) School Transport for pupils with special educational needs and disabilities (SEND): Annual uplifts of £2.2m in each and every year moving forward.

SEND transport costs are directly linked with the increasing number of education, health, and care plans (EHCPs) and the pressure that continues in the high needs block of the dedicated schools grant (DSG). The allowed annual growth of £2m has now been increased to £2.2m to reflect current realities. This growth is before considering the impact of the Council approved transformation project planned to deliver savings from 2026/27.

3) Grants

The social care grant provided since 2020/21 is assumed to continue along with all other children's social care funding throughout the 3 years of the plan. It is worth noting that the Social Care Grant has been rolled into the non-ringfenced Revenue Support Grant (RSG) while Children and Families Grant have been rolled into the ringfenced Consolidated Children's Families and Youth Grant from the 1 April 2026 onwards.

3. Operations

Service Pressures of £1.3m for 2026/27 representing an increase of 2.2% on the 2025/26 budget (largely driven by inflationary increases, changes to service provision, and prudential borrowing costs related to capital schemes.

The MTFP provides for additional investment over the 3-year period to March 2029 of £11m across operations services.

The on-going pressures over the 3 years are a combination of:

1) Inflationary pressures for waste disposal and recycling services linked to contracts and market movements. Consequences of the governments waste strategy including the arrangements for the roll out of food waste collection services to Poole residents in 2026/27 to ensure services are harmonised across the conurbation and adhere to the legislative framework. Additional waste strategy implications have been included in the MTFP including plastic film collection (April 2027), Deposit Return Scheme (October 2027) alongside the anticipated upward impact on waste disposal costs of the Emissions Trading Scheme (January 2028).
2) Fuel inflation has been allowed for along with reprofiled and additional prudential borrowing repayments in line with the Fleet Replacement Strategy to ensure that the rolling capital programme for fleet vehicles is maintained.
3) Inflationary pressures allowed for within sustainable transport for concessionary fares increases following the recent rebase to reflect the current trend of journeys undertaken.
4) Other inflationary increases added to contracts across Operations including cleaning, RNLI, seafront, intelligent traffic systems and abandoned & untaxed vehicles.

4. Resources

There are no net service pressures identified for 2026/27.

The Resources directorate continues to face financial challenges across the three-year Medium Term Financial Plan (MTFP), most notably a £1.5m pressure in 2028/29 driven by increased Microsoft licensing costs. Other pressures span multiple service areas and primarily reflect the impact of inflation on contracts and income challenges in areas such as marketing.

The directorate remains committed to managing these pressures through service efficiencies and cost controls, ensuring continued delivery of corporate support functions and compliance with statutory responsibilities.

5. Pay Award

Local government agreed pay awards for 2018/19, 2019/20, 2020/21 and 2021/22 were 2%, 2%, 2.75% and 1.75%, respectively. The National Employers organisation took a different approach in agreeing the pay awards for 2022/23, 2023/24 and 2024/25.

For 2022/23 a flat rate increase of £1.925 on every spinal column point was agreed. For 2023/24 agreement with the Trade Unions was reached on a flat rate increase of £1,925 on every grade up to SCP43 and 3.88% above this level. For 2024/25 the agreement was based on a flat rate increase of £1,290 on every grade up to SCP43 and a 2.5% increase above this level. This equates to approximately an average increase of 4% which was 0.5% below the budgeted amount for 2024/25.

Every 1% variation is estimated to require a £2m provision in the general fund once allowance is made for recharges (for example to capital) and external contributions (such as adjusted fees & charges etc.)

For 2025/26 the budget was drawn based on a 2.8% provision for the pay award in 2025/26. This was in line with the 2.8% proposed 2025 pay award for public sector workers announced by the government in December 2024. The February 2025 MTFP then made provision for annual pay awards of 2% from 2026/27 onwards.

On the 23 July 2025 the National Employers Organisation agreed a 3.2% pay award for the financial year 2025/26. This, alongside the fact that inflation currently remains stubbornly above both 3% and the government's 2% inflationary target, and the government's initial evidence to pay review bodies for a 2.5% increase has meant that the pay award provision for 2026/27 has been drawn based on a 2.8% pay award with 2% assumed annually thereafter. Benchmark comparisons indicate other local authorities across the southwest are assuming around 3% with our nearest neighbour at 3.2%.

The provision for a 2.8% pay award should be assessed against the Trade Unions pay claim for 2026 received in early December 2025 which included.

- An increase of at least £3,000 or 10% (whichever is greater) across all spinal column points.
- A two-hour reduction in the working week.
- Increase of one day annual leave

Additionally, as part of the savings and efficiencies proposals underpinning the 2023/24 budget, provision was made for only 95% of each service's employee establishment to allow for the impact of turnover and other matters on the actual cost of the service. Previously the assumption varied between services, of between 95% and 98%. Monitoring of the 95% assumption is ongoing however the indications are some areas, particularly small teams with low turnover, find it difficult to achieve this target. In addition, services continue to be expected to manage the impact of any incremental drift in their services pay base.

6. New Pay and Grading Structure

A key requirement following the establishment of BCP Council was to create a single new pay and grading structure. In setting a 2025/26 Budget a single pay and grading structure supported by standard terms and conditions applied across all posts was not in place. Potential risks associated with this position increased the longer it took to achieve this outcome however officers were committed to achieving a single pay and grading and terms and conditions outcome.

The position was resolved when Council on 16 July 2025 agreed to the enhanced Pay and Reward offer post a further ballot of trade union members and agreement to move towards a collective agreement. The report set out the intent to increase the permanent pay bill of the authority by £4.545m (2.44% increase on the pay base) which was a further £1.752m above the amount included in the 2025/26 Budget and Medium-Term Financial Plan as agreed by Council in February 2025. These calculations related to the individual appointments and salaries of colleagues as they were known as of 21 April 2025 and related to filled paid permanent posts and excluded any provision for vacant posts, casual employees, apprentices, agency staff or as a result of any future re-mapping outcomes. The report also emphasised that the annual incremental drift exposure of the council, which the financial planning assumption continues to be that it will be managed by services, has increased from £1.5m to £4m per annum due to the additional head room within grades from the revised structure. The report included and Council approved a list of savings proposals to cover the further additional £1.752m cost.

7. Pension Fund

BCP Council is a member of the Dorset Local Government Pension Scheme administered by Dorset Council. The funds actuary Barnett Waddingham are required to revalue the fund every three years (tri-annual revaluation) to determine both the value of its assets and liabilities and the contributions rates for each employer in the fund.

The fund was last revalued as of April 2025, and the preliminary results were provided to each employer in November 2025. The March 2025 position for BCP Council was a funding deficit of £53.1m with a resulting funding level of 96.4% compared to a funding deficit of £53.9m as of 31 March 2022 equating to a funding level of 95.8%. Generally, the back-funding payments over the last 3 years, improved market conditions and changes to life expectancy have acted to reduce the deficit (increase the funding level) whereas assumptions of higher inflation and salary costs have acted to leave the overall position unchanged as set out below.

Figure 1: BCP Pension Fund – funding levels

Local Authority	Funding Level			
	31-Mar-16	31-Mar-19	31-Mar-22	31-Mar-25
Bournemouth Council	79%			
Christchurch Council	88%			
Dorset County Council	80%			
Poole Council	86%			
BCP Council	**82%**	**92%**	**96%**	**96%**

In respect of the ongoing (primary) and secondary (back funding) contribution rates agreed with the fund actuary these are set out in figure 2 below. BCP Council was required to satisfy itself as to the reasonableness of these contribution rates. As part of that process, we challenged the fund actuary around the discount rate used as a measure of prudence which reflects the funds' ability to successfully deliver the assumed rates of return on investments, the approach to stabilisation of contribution rates, and the deficit recovery period being used.

Compared to the initial proposal from the actuary the ongoing primary rate is unaltered however the secondary rate contribution is £2.8m lower in 2026/27.

Figure 2: BCP Pension Fund contributions agreed with the actuary:

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Ongoing *(Primary)* Rate	15.6%	16.2%	16.8%	17.4%	19.0%	19.0%	19.0%	16.3%	16.3%	16.3%
Secondary *(Backfunding)* Rate	£9.43m	£5.89m	£6.10m	£6.32m	£3.97m	£4.13m	£4.29m	£4.44m	£4.61m	£4.78m

Overall, compared to 2025/26 the consequential impact on the General Fund base revenue budget was an annual positive impact of £3.2m from the reduced ongoing (primary) rate. This positive impact is then slightly diminished by the increase in the secondary (back funding) element

In comparing pay rates with those of other employers, it is important that everyone recognises including current and prospective employees, that the council has a total contribution rate of more than 19%. Many private sector companies will be making only a 3% minimum pension fund contribution.

8. Inflationary Costs

Inflation is only provided for in service directorate budgets where it can be demonstrated that it will be needed due to either market or contract conditions. Inflation as of September 2025, which is applied or factored into several 2026/27 contractual uplifts, was 3.8% as measured by the (CPI) Consumer Price Index. For comparison purposes the annual rate of CPI inflation was 1.7% in September 2024.

CPI Inflation as of December was 3.4% (November 3.2%) this was the first time in five months that it had actually increased. RPI Inflation as of December 2025 was 4.2% (3.8% November 2025)

The government's inflation target remains at 2% on an annual basis.

9. Treasury Management – Interest Cost

The MTFP assumes an additional £3m pressure on the treasury management function related to the increasing need to borrow. Of the additional pressure, £2.4m is in relation to the accumulated SEND deficit forecast to be over £183m by March 2026. In total the Council will be servicing debt in relation to the deficit of £10.5m per annum by 2026/27.

The Council also needs to borrow cash to manage it overall cash position with decreasing level of balances available to invest. The Council continues to employ an internal borrowing policy which has avoided taking out additional external long-term debt and the associated high interest rates payable however this is becoming harder to maintain as interest rates are not falling as quickly as expected. The likelihood is temporary borrowing which has maintained the cash position for a number of years will be switched to longer term borrowing to allow greater security of cash on a daily basis.

10. Previous government specific grants as related to Adult and Children's Social Care transferred to non-ringfenced RSG from 2026/27

The Social Care Grant was introduced in 2020/21 and ringfenced to support social care for adults and children and now includes the Independent Living Fund. The allocation to BCP Council in 2025/26 amounted to £39.6m and locally split between Adult Social Care: £29.3m and Children Social Care: £10.3m. The current Adults and Children MTFP assumes no changes to this allocation within the RSG over the MTFP timeframe.

The Local Authority Better Care Grant, comprising former Improved Better Care Grant and Adult Social Discharge Grant, allocated to BCP Council Adult Social Care is assumed to remain frozen in 2026/27 at the level £16.6m.

The increase for the Better Care Fund of £0.4 million in 2026/27 is yet to be confirmed by NHS Dorset ICB. Work is being undertaken by both partners within Better Care Fund to establish envelope for this pool in 2026/27 and estimate NHS minimum contribution to local authority commissioned care.

The Market Sustainability Fund initial allocation for 2025/26 was £7.7m. The Adult services MTFP does not include any changes to this allocation, as the grant is being rolled into the RSG with the impact uncertain.

Children Services specific Grants

The newly consolidated and ringfenced Children, Families and Youth Grant is made up of existing grants which includes the Children Social Care Prevention Grant introduced in 2025/26, the consolidated Children and Families Grant, Holiday Activities & Food Programme and Pupil Premium Post-16. Funding for this grant has been confirmed for the next 3 years though final settlement for 2026/27 is yet to be announced.

11. One-Off Resources

As part of the normal annual budget process the council is required to review the brought forward and forecast position on each of its collection funds (business rates and council tax) and make provision for the forecast year end surplus or deficit as part of the following years budget.

Based on a 2023 fundamental review undertaken in respect of the business rates collection fund a forecast surplus was treated as an exceptional one-off resource rather than as just as part of the standard budget setting arrangements for 2024/25. This process was then repeated in 2025 as part of both the financial strategy supporting the 2026/27 budget and a precursor to the governments fundamental business rates reset timed to coincide with the introduction of the governments new national fair funding formula.

Consequentially a further £10.330m has been released which is a combination of a £11.449m Business Rates collection fund surplus reduced by a £1.169m Council Tax collection fund deficit.

A schedule of how these resources is being applied is set out in figure 3 below. In summary it continues to be applied to the delivery of outcomes in support one-off issues and the financial health and sustainability of the council.

Appendix 3

Figure 3: Application of one-off business resources

Application of Resources	Orginal Total £000s	Latest Total £000s	Latest profiled application of resources 2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Resources Available - Collection Funds (Surplus)	(25,281)	(35,611)				
a) Resources set aside to support regeneration ambitions						
Includes resources to fund the staff transferred by BCP FuturePlaces Ltd over a 4-year period.	4,000	3,000	959	1,041	1,000	
b) Russell Cotes Museum *(separate 7 February 2024 Cabinet report)*						
£2m One-off dowry payment + £250k one-off maintenance dowry payment.	2,250	2,250		338	1,912	
£626k Base budget removed from 1 April 2024 but do not become self sufficient until 1 Oct 2026.	939	939	626	313		
£50k Base budget for corporate maintenance removed from 1 April 2024 therefore £75k provision 1/10/26.	75	75	50	25		
c) Climate Change and Ecological Emergency						
Resources use to top up the project budget to £1m, via an Earmarked Reserve, in 2024/25.	452	452	452			
d) Children's Services - Improvement Expenditure						
One-off investment in the Children's Services, Building Stronger Foundations Programme, December 2023 Cabinet.	522	522	522			
e) Bournemouth Air Festival						
£200k One-off funding for 2024/25 only.	200	200	200			
Further one-off contingency to underwrite the 2024/25 event (£54k of £100k used)	54	54	54			
f) Poole Events						
Application of unused Air Festival contingency - in light of the decision made on the ABID	46	46		46		
g) Christmas Events						
£200k One-off funding for 2024/25 only.	200	200	200			
h) Pay and Reward						
One-off implementation costs for 2024/25.	269	269	269			
One-off implementation costs for 2025/26 and 2026/27	1,082	1,082		611	471	
Additional costs following 2025 ballot in 2025/26	1,115	1,115		715	400	
i) Transitional implementation of specified savings proposals						
Resources to enable 24/25 specific savings proposals to be implemented over a transitional period.	1,805	1,805	1,705	100		
j) Poole Civic Centre						
Holding costs	228	166		166		
k) Contingency						
Resources set aside to support the potential optimism bias in the £38m of 24/25 savings.	5,654	5,654	5,654			
l) Miscellaneous						
ICT Investment Plan expenditure which cannot be capitalised	215	205		80	125	
Redhill Paddling Pool consumables support - one year extension to secure sponsorship	10	10		10		
m) Resources to support the balancing of the 2024/25 Budget & MTFP						
Based on Q2 2024/25 Budget Monitoring reduced flexibility to carry forward contingency resources into future years	6,165	6,165	3,375	2,790		
n) Resources to cover the 2025/26 forecast overspend						
Based on Quarter Three Budget Monitoring report to November Cabinet	0	4,573		4,573		
o) Resources to support the balancing of the 2026/27 Budget & MTFP						
Based on December provisional budget position	0	6,829			6,829	
Balance Carried Forward	25,281	35,611	14,066	10,808	10,737	0

12. Council Tax – Taxbase

Cabinet at its meeting on 14 January 2026 agreed to the determination of 152,481.7 as its council taxbase for 2026/27 which is the number of Band D equivalent properties over which the council's council tax for the year will be charged. It is based on the principle that every domestic property is valued by the Valuation Office Agency and placed in one of the eight valuation bands, based on its value as of 1 April 1991 (houses built after this date have their value as of

April 1991 estimated at the time of their first sale). The amount of council tax paid varies according to the valuation band as follows:

Figure 4: Council Tax Valuation Bands on 1 April 1991 and calculation

Band	Value at 1 April 1991	Ratio	Ratio as a percentage
A	Up to £40,000	6/9	67%
B	£40,001 to £52,000	7/9	78%
C	£52,001 to £68,000	8/9	89%
D	£68,001 to £88,000	9/9	100%
E	£88,001 to £120,000	11/9	122%
F	£120,001 to £160,000	13/9	144%
G	£160,001 to £320,000	15/9	167%
H	More than £320,000	18/9	200%

A comparison of the BCP Council Taxbase between years is set out in figure 5 below.

Figure 5: Analysis of the council tax taxbase between Towns.

Town	Council Tax - Taxbase				
	2024/25	2025/26	% Variance	2026/27	% Variance
Bournemouth	65,603	68,076	3.8%	67,553	-0.8%
Christchurch	20,976	21,665	3.3%	21,754	0.4%
Poole	59,763	61,834	3.5%	63,176	2.2%
Total	**146,342**	**151,574**	3.6%	**152,482**	0.6%

Please Note: 2025/26 Increase included the introduction of a 100% premium on second homes.

It should also be noted the reduction in Bournemouth's tax base is due to the community governance review boundary changes, which changed a number of areas but principally areas of Bearwood which switched into Poole.

The 0.6% council tax, taxbase growth between 2025/26 and 2026/27 is due to additional properties being built, a lower number of dwellings claiming the local council tax support scheme as well as the removal of the current discretionary council tax discount applied to the beach chalets at Mudeford Sandspit and Hengistbury Head. These beach chalets have been charged council tax for over 30 years and in 2025/26 receive a 50% discretionary discount. It may also be worth highlighting that over 2/3rds of the owners of these beach chalets live outside the BCP Council area.

13. Schools Forum

Schools Forum is a statutory body of the council and must be consulted on all school funding budget allocations. It also has a range of decision-making powers regarding the level of budgets held centrally and whether any funding provided for mainstream schools can be transferred to other budget areas.

The BCP Schools Forum has a complement of twenty-four members with representation from all categories of schools. Two meetings were held over the autumn and one in early January 2026, with recommendations and decisions made for the BCP Council budget regarding school funding through the ring-fenced DSG.

14. Dedicated Schools Grant (DSG)

The gross DSG of £426m provides funding for mainstream schools for pre 16 pupils, private, voluntary, and independent nursery providers, a small range of central school services (for example, school admissions) and specialist provision for children and young people with high needs. High needs budgets include funding for mainstream schools and specialist providers to support pupils with education, health, and care plans (EHCPs) aged 0-25, and those educated out of school, for example due to permanent exclusion or medical needs. Academies are funded from the gross DSG allocation but with amounts subsequently recouped by the DfE to enable the budget share for pre 16 pupils to be paid directly by government.

The DSG is allocated to the council through four funding blocks, each with its own national formula methodology: early years, mainstream schools, high needs, and central school services. Distribution to councils linked to historic allocations has now largely ended, with some funding protection mechanisms in place to reflect that expenditure patterns once well-established cannot be changed quickly.

The issue of local authorities incurring expenditure greater than the resources made available by government for the high needs block of their Dedicated Schools Grant has been an issue ever since the introduction of Education, Health, and Care Plans (EHCPs) under the Children's and Families Act 2014. These EHCPs are legal documents which set out a child or young person's special educational needs and the support that is required to meet those needs.

The council brought forward a DSG accumulated deficit of £113.3m in April 2025 due to the now recognised national underfunding of the high needs budget. The deficit was budgeted to grow by £57.5m during 2025/26 with the quarter three forecast a net funding gap of £70.3m. The deficit arises from the restrictions in how funding can be moved between blocks with it not possible to reduce expenditure to balance the account as well as meet the statutory education entitlements of pupils identified with high needs. The projected accumulated deficit is as follows:

Figure 6: Summary position for dedicated schools grant of March 2026 and 2027

Dedicated Schools Grant	£m
Accumulated deficit 1 April 2025	**113.3**
Prior year additional funding – early years	(1.9)
Budgeted high needs funding shortfall 2025-26	57.5
High needs funding reduction 2025-26	0.5
High needs forecast overspend 2025-26	15.5
Other blocks	(1.3)
Projected accumulated deficit 31 March 2026	**183.6**
Projected high needs funding gap 2026/27	95.7
Projected accumulated deficit 31 March 2027	**279.3**

The government's November 2025 Budget Statement:

- Confirmed that the DSG statutory Override, which keeps the accumulated deficit out of the general fund, will stay in place until the end of the March 2028.
- Set out that from 2028/29, central government support to councils for SEND will be at a level that means further deficits need not accrue. Funding for that in 2028/29 will be absorbed within the overall government budget, not the core school's budget.

- Noted that budgets from 2028/29 onwards will be confirmed in the 2027 Spending Review
- Indicated that further detail on support for historic and accruing deficits, up to 2028/29, and conditions for accessing such support, will be set out in the Local Government Finance Settlement in December 2025.
- Indicated that further detail on SEND policy changes will be set out in the Schools White Paper, expected in early 2026.

A joint letter from the DfE and NHS England on 15 December 2025 noted that support provided to local authorities will be linked to assurance that they are taking steps to make a new system a reality, in conjunction with government confirming the detail of SEND reform. Best practice and case studies from previous programmes are being disseminated, with a focus on efficient spending, such as from Safety Valve and Delivering Better Value, and providing all local authorities with SEND and financial advisers to help consider how these learnings can be applied. These advisers will also play a key role in supporting the preparations for reform, reviewing data, embedding best practice and driving progress toward the delivery of high-quality, inclusive services for children and young people.

Provided with the above letter was an early version of a maturity assessment tool for local area partnerships to assess the maturity of current practice, and plan the changes needed to strengthen the local system. This will be an integral part of the local SEND reform plan.

The provisional Local Government Finance Settlement received on 17 December 2025 did not set out how local authorities with large deficits are to be supported, as indicated in the November Budget Statement, but that further information will be provided later in the process.

The DSG Settlement, received also on 17 December 2025, announced that the high needs national formula (NFF) to allocate funding to authorities has been suspended for 2026/27 with no increase in funding to be provided. This is also the expectation now for 2027/28. Relatively small changes to allocations will be made in summer 2026 to reflect pupil movements between local authorities, and to adjust funding that is to be passed on to schools. The funding gap for 2026/27 was already set to grow and this DfE approach will widen it further unless further government financial support becomes available in-year.

The progress of the DSG deficit over 2027/28, the remaining year before the government take on responsibility for SEND expenditure, will be assessed once the government has released further details of the support available over the next two years. In the meantime, a funding gap for that year is assumed to be in the region of £100m as expenditure growth slows due to the government support and advice to be received during the year as described above. Without government support for the current deficit and the predicted funding gap over 2026/27 and 2027/28, the accumulated deficit will be in the region of £379m by March 2028. This is higher than presented last year as the growth in expenditure has not shown any indication of slowing down over 2025/26 and DSG funding for high needs is no longer expected to increase annually.

The estimated accumulated deficit, in the absence of DfE action to reset the high needs system, is shown in table 7 below.

Figure 7: Accumulating deficit on the Dedicated Schools Grant

	Balance Actual 31/3/23 £m	Balance Actual 31/3/24 £m	Balance Actual 31/3/25 £m	Balance Estimate 31/3/26 £m	Balance Estimate 31/3/27 £m	Balance Estimate 31/3/28 £m
Dedicated Schools Grant	(36)	(63)	(113)	(184)	(279)	(379)

15. High needs block - £68.4 million

The pay grants for specialist providers allocated by the DfE in-year in 2025/26 have been subsumed into the DSG for 2026/27 with equivalent funding to be passed on to schools again with no increase in funding through the NFF for other expenditure. It is likely that pay grants for providers will again be made in-year once national pay awards have been agreed.

16. Early years block - £62.2 million

The early years block funds the local early years single funding formula (EYSFF) as well as a range of council services supporting the early years free entitlements.

The significant expansion of childcare support, aimed to remove barriers to work for parents with children under three, completed the final phase from September 2025. Working parents became entitled to up to 30 hours childcare support for every child over the age of 9 months. The funding for 2026/27 includes the full year costs of this expansion.

17. School's block - £293 million

The national funding formula (NFF) for mainstream schools has subsumed the separate 2025/26 school pay grants as for specialist providers noted above. The funding has increased by only £1m due to uplifted national formula values and updated local school data but reflecting a reduction in pupil numbers and growth fund allocations.

A separate paper for 4 February Cabinet included proposals for Council decisions on 10 February regarding the mainstream school's formula.

18. Central school services block - £2.2 million

The funding is provided largely through a national formula for on-going functions with the per pupil rate increasing annually. There is also funding for local historic commitments. Funding in this block supports specific central services for all schools and the DSG budgeting system. The School's Forum agreed in January that the council budgets can be set at the level of funding.

19. Maintained schools

BCP will have 14 maintained schools (out of 95 in total) on 1 April 2026. Funding to continue statutory services for maintained schools is to be provided from central retention of maintained school budget shares through agreement of maintained schools representatives at School's Forum. Consultation on the proposed retention of £0.2m is in progress at the time of writing this report. A separate decision regarding de-delegation of mainstream school funding to support school improvement functions, which remain the responsibility of schools, is also in progress. Budgets and activities supporting mainstream schools will need to reduce where possible if funding is not secured.

20. Academies

Academies are independent organisations. Their funding and expenditures are not contained within the council's budget, but the overall DSG budget reported to the DfE is set inclusive of their funding allocations.