

Final Dedicated Schools Grant (DSG) allocations and pupil data for 2025/26 were published by the Department for Education on 18 December 2024.

Lancashire's Gross 2025/26 Dedicated Schools Grant allocation is £1,483.964m.

The equivalent Gross Dedicated Schools Grant income figure for 2024/25 was £1,334.952m. The 2025/26 Dedicated Schools Grant allocation has increased by £149.012m.

This increase in funding is due to:

- Lancashire's share of the increased high needs block funding.
- Increased funding within schools block to reflect the pay award grants rolled into the funding formula.
- Increased funding within early years received due to the extended entitlements of 2-year-olds and under two-year-olds within the early years block.

The sections below provide further details of the Lancashire Dedicated Schools Grant allocations and presents the estimated Schools Budget for 2025/26.

DEDICATED SCHOOLS GRANT ALLOCATIONS 2025/26

The Department for Education sub-divide the Dedicated Schools Grant 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 (£1,051.778m)

The Schools Block allocations for 2025/26 are derived based on illustrative individual Schools National Funding Formula allocations calculated by the Government. These calculations translate into primary and secondary units of funding for 2025/26. These units of funding are multiplied by the number of primary and secondary pupils from the October 2024 census. A Local Authority level allocation for premises factors and growth funding are added to provide a final Schools Block allocation.

This provides a total Lancashire Schools Block allocation for 2025/26 of £1,051.778m.

The 2025/26 Schools Block allocation is over £73m higher than the equivalent figure in 2024/25. The increased allocation is in part due to Lancashire's share of the additional funding made available nationally by the Government to fund the teaching and support staff pay awards.



In 2024 to 2025 financial year, mainstream schools were allocated additional funding through the Core Schools Budget Grant (CSBG). In 2025/26, this has been incorporated within the National Funding Formula.

It should also be noted that the Department for Education has introduced changes to the payment process of school business rates. School business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools. For 2025/26, a rates allocation will continue to be included in the Department for Education's schools National Funding Formula but a deduction of £1.552m will be made from the Lancashire Schools Block cash allocation in 2025/26 to account for academy conversions.

High Needs Block allocation (£219.910m)

The 2025/26 High Needs Block allocation is calculated under the Government's national High Needs funding formula. Key features of the formula include:

- A high needs funding floor and gains calculation.
- Basic entitlement factor (with area cost adjusted) for the number of pupils in special schools and academies.
- Import/export adjustment.
- Additional Funding for Special Free Schools.
- Hospital education, Alternative Provision teachers' pay/pension and supplementary funding factor.

The formula provides a 2025/26 High Needs Block allocation for Lancashire of £219.910m.

This figure is over £17.764m higher than the equivalent 2024/25 allocation, due to increased funding for the High Needs Block made available by the Government. Of the £17.764m increase in funding, a large proportion is to fund the core schools budget grant.

It should be noted that the High Needs Block allocation is a provisional allocation, and the gross total includes allocations attributable to funded places that will be deducted and made directly by the Education & Skills Funding Agency. These are estimated by Education & Skills Funding Agency to total circa £10.424m.

Early Years Block allocation (£201.554m)

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 (September 2025).
- Funding for 15 hours entitlement for under two-year-olds (Under 2YO).



- Funding for the additional 15 hours entitlement for under two-year-olds (September 2025).
- 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 2025/26 as follows:

- 3 and 4-year-old entitlements - £0.24 per hour uplift.
- 3 and 4-year-old supplementary funding for maintained nursery schools - £0.65 per hour uplift.
- 2-year-old entitlement - £0.29 per hour uplift (extended to 30hrs for working families September 2025).
- Under 2-year-old entitlement - £0.36 per hour uplift (extended to 30hrs for working families September 2025).
- Early Years Pupil Premium - £182 annual per year uplift.
- Disability Access Fund - £28 annual per year uplift.

Entitlement	2024-25 Funding Rate Received	2025-26 Funding Rate Received	Difference
34YO	£5.47	£5.71	£0.24
34YO MNS	£5.18	£5.83	£0.65
2YO	£7.54	£7.83	£0.29
Under 2YO	£10.27	£10.63	£0.36
EYPP	£388.00	£570.00	£182.00
DAF	£910.00	£938.00	£28.00

These factors provide a total Early Years Block allocation for Lancashire for 2025/26 of £201.554m.

Lancashire's Early Years funding is significantly higher than the 2024/25 allocation, due to the extended entitlements.

It should be noted that the 2025/26 early years block allocations are initial, and based on Schools, Early Years and Alternative Provision censuses data from January 2024. These allocations will be updated based on January 2025 census data.

Central Schools Services Block (£8.633m)

The Central Schools Services Block 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 Central Schools Services Block is split into funding for historic commitments and funding for ongoing responsibilities.

The total Lancashire's Central Schools Services Block allocation for 2025/26 is £8.633m.



In Year Adjustments

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

- Academies recoupment from the schools block.
- Deductions for high needs places in academies and non-maintained special schools.
- Post 16 places.
- Deduction for national copyright licences.
- Deduction for schools business rates.
- 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 Dedicated Schools Grant income for 2025/26

The Lancashire Dedicated Schools Grant (DSG) allocations for 2025/26 across the 4 funding blocks are shown below:

Forecast DSG Income	£m's
Schools Block	1,051.778
High Needs Block	219.910
Early Years Block	201.544
Central Schools Services Block	8.633
Gross Total forecast DSG Income	1,481.865
Total deduction for national school's non-domestic rates (academies)	-1.552
Total deductions for direct high needs payments made by the Education & Skills Funding Agency	-10.424
Net Total forecast DSG Income	1,469.889

SCHOOLS BUDGET 2025/26

The latest Individual School Budgets across all phases has been constructed using the final datasets made available from the Department for Education 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.

Budget Summary

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



Forecast DSG Expenditure	£m's
Schools Block	1,051.778
High Needs Block	219.910
Early Years Block	201.544
Central Schools Services Block	8.633
Total deduction for national schools non-domestic rates (academies)	-1.552
Total deductions for direct high needs payments made by the Education & Skills Funding Agency	-10.424
Total forecast DSG Expenditure	1,469.889

Further details about each block are provided below.

Schools Block (£1,051.778m)

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 National Funding Formula methodology as the local Lancashire funding model.

Lancashire will continue to mirror the National Funding Formula methodology in 2025/26 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 2024, the Minimum Funding Guarantee (MFG) has been included in the formula at +0.0% and there is no cap on funding gains.

A 2025/26 growth fund requirement, which is used to support Local Authority initiated school expansions, of c£1.5m has been included for 2025/26. The balance of funding from the Growth Fund allocation received by Lancashire, equating to circa £0.943m, has been used as a contribution to Schools Block.

For the previous two financial years there has been a deficit budget position on schools block in 2023/24 and 2024/25 of £1.879m and £1.154m respectively, with DSG reserves used to mitigate pressures in the funding block.

Due to pressures on DSG a methodology was consulted on with schools and agreed with schools forum to balance schools block in 2025/26 without the use of DSG reserves. If any headroom was available after this methodology, schools forum approval was given to transfer to the High Needs Block.

Following the modelling and application of the methodology agreed there is a balanced budget position within schools block in 2025/26, however there will be no headroom available to support pressures in the other funding blocks.

The Schools Block expenditure for 2025/26 is therefore estimated in the table below:

Forecast Schools Block Expenditure	£m's
Primary	545.224
Secondary	494.011



All-Through	11.041
Budgeted Growth	1.502
Total	1,051.778
DSG Schools Block Income	-1,051.778

As set out earlier, the Department for Education has introduced changes to the payment process of schools business rates. From 2022/23, schools business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools. For 2025/26, a rates allocation will continue to be included in the Department for Education's schools National Funding Formula but a deduction of £1.552m will be made from the Lancashire Schools Block cash allocation in 2025/26 to account for academy conversions.

High Needs Block (£219.910m)

The High Needs Block expenditure for 2025/26 is estimated in the table below:

	Place funding £m	Top-up funding £m
Delegated to Schools	42.098	105.987
Delegated to Early Years		0.500
FE Colleges		5.801
High Needs Block costs on a commissioned basis		54.464
Total deductions based on 2025/26 for direct high needs payments made by the Education and Skills Funding Agency		10.424
Additional 2024/25 High Needs places to be paid direct by Education and Skills Funding Agency		0.636
Total	42.098	177.812

Total Expenditure £ m **219.910**

Total Income £ m **219.910**

The forecast expenditure includes an estimate of the considerable cost and demand led pressures facing the block in 2025/26.

Proposals also build in a 0.5% increase to the level for the school specific 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 2024/25 value due to the pressures within the high needs block.



The circa £10.424m of deductions in the Dedicated Schools Grant notifications have been budgeted within HNB, as this relates to direct high needs payments made by the Education and Skills Funding Agency.

An extra £0.636m of deductions for 2025/26 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 Education and Skills Funding Agency.

The Dedicated Schools Grant reserve as at 31 March 2024 was £18.40 million, however this is forecast to be fully utilised by 31 March 2025, and expenditure may exceed the current reserve level of DSG. This is due to increased strain on the High Needs Block budget with demand led pressures remaining at levels well above the income received. 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 2026.

Whilst a balanced budget has been forecasted in 2025/26, if the demand pressures continue to increase within the High Needs Block, a resulting overspend will occur. The pressures on High Needs Block are affecting local government as a whole and is creating significant pressure on the overall Dedicated Schools Grant. It has been recently recognised by the DfE of the need to reform England's special educational needs and disabilities (SEND)/High Needs Block provision to improve outcomes and return the system to financial sustainability. The government are committing to working with parents, teachers, and local authorities to take this work forward.

Early Years Block (£201.554m)

Lancashire has received an increased allocation in 2025/26 mainly due to the extended entitlements within the two-year-old and under 2-year-old entitlement, as well as a significant uplift in early years pupil premium rate. The rates are as follows:

- 3 and 4-year-old entitlements - £0.29 per hour uplift.
- 3- and 4-year-old supplementary funding for maintained nursery schools - £0.65 per hour uplift.
- 2-year-old entitlement - £0.36 per hour uplift.
- Under 2-year-old entitlement - £0.70 per hour.
- Early Years Pupil Premium - £182 annual per year uplift.
- Disability Access Fund - £28 annual per year uplift.

3 and 4-year-old entitlements

Due the increased funding Lancashire has received, the Lancashire base rate for 3 and 4-year-old entitlements is £5.70 per hour in 2025/26, an increase of £0.29 per hour from 2024/25.

The 2025/26 funding rate is therefore as follows:

2024/25 Base rate	£5.41 per hour
2025/26 DfE uplift	£0.24 per hour
2025/26 Additional funding from within the Early Years Block	£0.05 per hour
2025/26 Base rate	£5.70 per hour



3- and 4-year-old Supplementary funding hourly rate for maintained nursery schools Lancashire will receive a £0.65 increase in the supplementary funding hourly rate for maintained nursery schools in 2025/26, which will be passed to the maintained nursery schools, providing a revised hourly supplement rate of £5.83 per hour.

2-year-old entitlement

Lancashire has adopted one single funding rate for 2-year-old entitlements. Due the increased funding Lancashire has received, the Lancashire base rate 2-year-old entitlements is £7.46 per hour in 2025/26, an increase of £0.36 per hour from 2024/25. Please note the extended entitlements to 30 hours for working parents from September 2025.

The 2025/26 funding rate is therefore as follows:

2024/25 Base rate	£7.10 per hour
2025/26 DfE uplift	£0.29 per hour
2025/26 Additional funding from within the Early Years Block	£0.07 per hour
2025/26 Base rate	£7.46 per hour

Under 2-year-old entitlement

Due the increased funding Lancashire has received, the Lancashire base rate for Under 2-year-old entitlement is £10.21 per hour in 2025/26, an increase of £0.70 per hour from 2024/25. Please note the extended entitlements to 30 hours for working parents from September 2025.

The 2025/26 funding rate is therefore as follows:

2024/25 Base rate	£9.51 per hour
2025/26 DfE uplift	£0.36 per hour
2025/26 Additional funding from within the Early Years Block	£0.34 per hour
2025/26 Base rate	£10.21 per hour

Early Years Pupil Premium

Lancashire will increase our early years pupil premium rate, up to £570 per eligible child per year, for 2025/26, in line with national announcements. This is an increase of £182 from 2024/25.

Disability Access Fund

Lancashire will increase the disability access fund, up to £938 per eligible child per year for 2025/26, in line with national announcements. This is an increase of £28 from 2024/25.

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 2025/26 the Lancashire fund will total £1.65m due to the increased demands and extended entitlements.



The Early Years Block expenditure for 2025/26 is therefore estimated in the table below:

Forecast EYB Expenditure	£m's
Early Years Block under 2-year-olds	57.342
Early Years Block 2-year-olds	51.329
Early Years Block 3 and 4-year-olds	81.747
Early Years Pupil Premium expenditure	3.161
Early Years Disability Access Fund expenditure	0.971
Nursery School Maintained Nursery School	5.354
Special Educational Needs Inclusion	1.650
Total	201.554

Total Expenditure £ m **201.554**

Total Income £ m **201.554**

Central Schools Services Block (£8.633m)

The estimated Central Schools Services Block expenditure in 2025/26 is £8.633m.

Careful consideration will be needed around the Central Schools Services Block in future years, as Department for Education implement further reductions in the Historic Commitments budget.

Total Expenditure £ m **8.633**

Total Income £ m **8.633**

Calculation of the final 2025/26 funding position

	£m's
Total forecast DSG Income 2025/26	1,469.889
Total Forecast DSG Allocations 2025/26	1,469.889

These Schools Budget proposals forecast a balanced Dedicated Schools Grant funding position in 2025/26.

