



SCHOOLS FORUM

July 2026

ITEM 02

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Dedicated Schools Grant 2026-27 – Quarter 1 Financial position and forecast outturn.

Purpose

- 1.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant. Regulations allow any underspends or overspend to be carried forward and dealt with as part of the budget setting process for the following financial year.
- 1.2 This report is to give account on the quarter 1 financial position forecasting to the end of the financial year March 2027.

Recommendations

- 2.1 To note the quarter 1 financial position of the DSG showing an in-year deficit of £9.973m on the High needs block and a potential underspend of £0.180m on the Early Years Block.
- 2.2 To note the implications for the 26-27 DSG reserve in section 4.0 which is predicting a cumulative DSG deficit position of £33.247.

Supporting information

- 3.1 The Dedicated Schools Grant (DSG) for Derby is split into four blocks: Schools Block, Early Years Block, High Needs Block, and a Central School Services Block.
- 3.2 The 2026-27 allocation for the DSG is £396.603m and is made up of four blocks of funding:
 - Schools Block £278.787m (included the Mainstream Schools Additional Grant £8m and £1.721m NNDR)
 - Central School Services Block £2.355m
 - High Needs Block £67.544m (includes the core school budget grant £3.87m and enhanced resource units Schools budget support grant and national insurance grant £0.094m) – note the amount has increase by £0.279m since budget setting in Feb 26 due to a DfE number adjustment related to the core school budget grant)
 - Early Years Block £47.917m

- 3.3 The budget set for 26-27 reported a forecast in year deficit for £9.966 resulting in a forecast cumulative deficit of £33.240m, at quarter 1 the overall forecast is in line with the initial budget set.
- 3.4 All local authorities with a SEND deficit will be eligible in 2026–27 to receive a High Needs Stability Grant covering up to 90% of their DSG deficit accrued up to the end of 2025–26. This grant will only be paid once each local authority has secured approval of their local area’s Local SEND Reform Plan. For deficits beyond 2026–27 and 2027–28, support will consider LAs' successful delivery of their approved Local SEND reform plan, including appropriate use of investment to establish an Experts at Hand offer.
- 3.5 **School Block is reporting a balanced position** – (recoupment of Academy budgets has been actioned by the DfE, leaving Derby with its maintained school budgets)

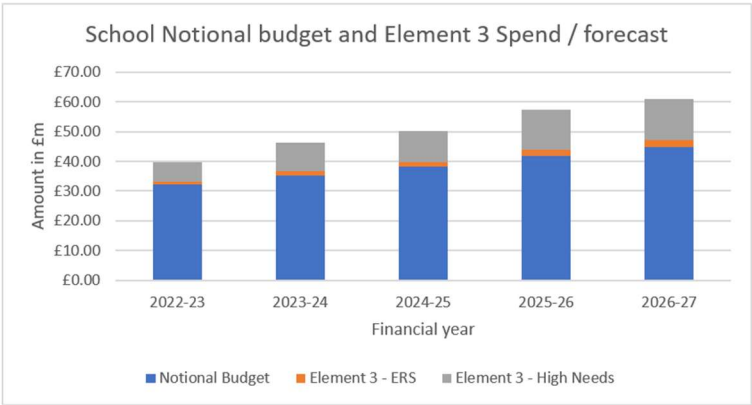
A summary of the school's block allocation is below.

Schools Block	2026-27 £'m
Allocation	278.787
Transfer to the High Needs Block	-1.394
Allocation including SB Transfer	277.393
Requirement	
Growth Fund	0.018
Balance to be distributed to Schools through the Funding Formula	277.375
TOTAL Requirement	277.393

As at the end of quarter 1 the position remains unchanged.

The schools block funding includes an element of notional SEN funding – for Derby in 26-27 the notional SEN funding included in the main Schools budgets is circa £44.8m.

Below shows a breakdown of the funding schools receive to support SEN.



3.6 **Central Block is reporting a balance position**

The Central Schools Services Block (CSSB) is a component of the Dedicated Schools Grant (DSG) used to fund local authority responsibilities for all schools in an area. It contributes to the cost of services that are retained centrally by the local authority, including those previously funded by the Education Services Grant (ESG). These include duties like admissions, copyright licenses, central pension contributions and school attendance. The Central block has consistently seen reductions in allocations over the past 6 years, with a further reduction in 26-27 of £0.110m from the previous year to an allocation of £2.355m. Reductions in the grant have been offset by a pressure from Derby's general fund.

3.7 **Early Years, is initially reporting an underspend of (£0.180m)**

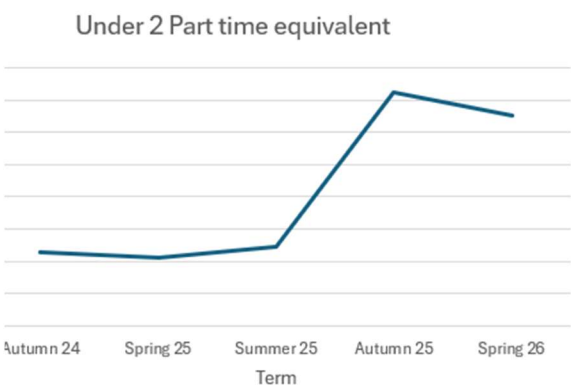
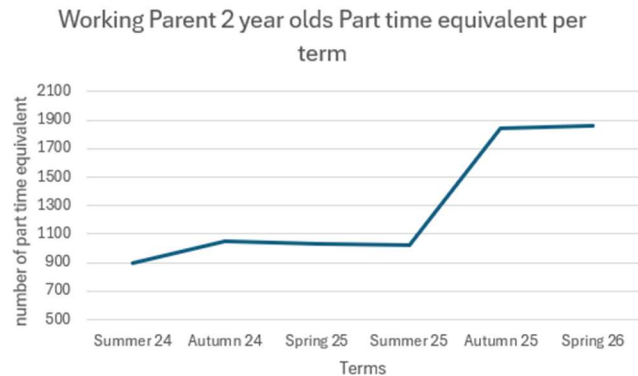
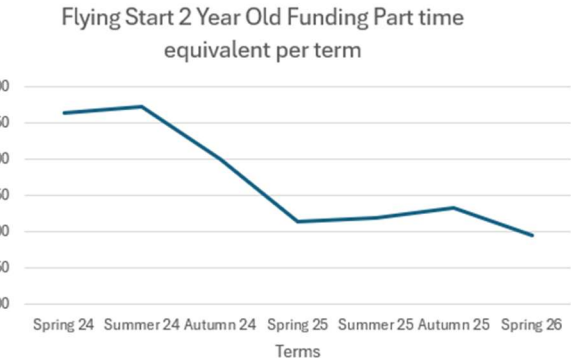
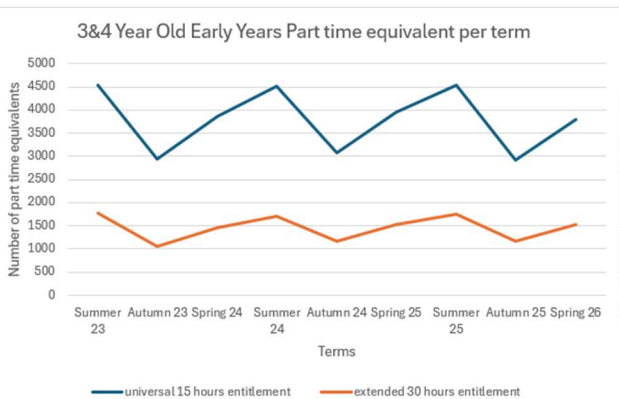
The new termly census count for all age ranges is now in operation. Derby accrued £0.9m at the end of 2025-26 to reflect the anticipated clawback due to lower number take up than what the previous year was budgeted on. The balanced position is based on the budget set, once the first census count has been completed a revised position will be known based on the take up.

The underspend is emerging from the Disability Access Fund (DAF). This is grant funded and ringfenced limiting the Council’s scope as what the fund can support. The service is currently reviewing the guidance to see how this fund may be effectively used going forward.

Contingency budgets were set this year to recognise the potential cost of those parents accessing their eligible care after the census count. Once information is available the financial impact of such take up will be reported to school forum.

Derby operates a stretch offer, paying providers for take up when it happens. Such operation can cause issues, due to potential timing issues of payments. Derby is now recommending that providers are now paid on the new census count and operate stretch at a local level, not controlled by the centre as is the situation now.

The charts below show the take up across the age ranges up to Spring 26



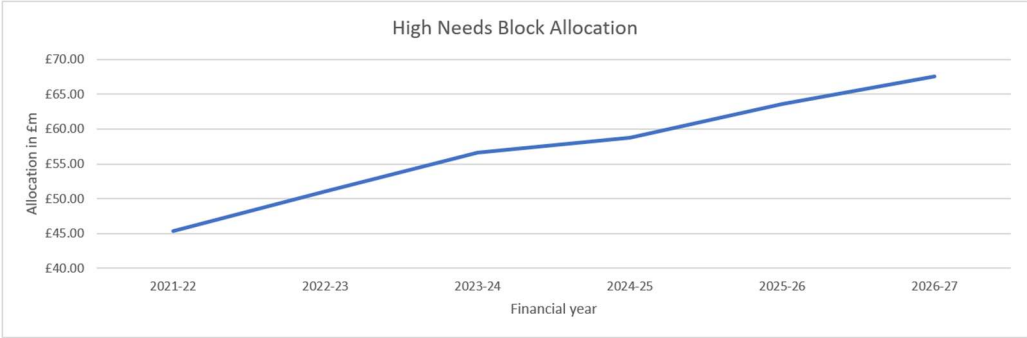
Early Years Block	Original budget	Full year Forecast 2026-27	Forecast Variance (Surplus)/Deficit
	£'m	£'m	£'m
Funding across age range 9 months to 4 years	46.765	46.765	0.000
Early Years Pupil Premium	0.855	0.855	0.000
Disability Access fund	0.297	0.297	0.000
TOTAL Early Years Funding	47.917	47.917	0.000
Requirement			
Provider Funding across age ranges 9 months to 4 years	44.511	44.511	0.000
Top slice for EY services	1.299	1.299	0.000
Early Years Pupil Premium across all age ranges	0.855	0.855	0.000
Additional SENIF across all age ranges	0.169	0.169	0.000
Contingency across all age ranges	0.786	0.786	0.000
Disability Access fund across all age ranges	0.297	0.117	-0.180
Total Requirement	47.917	47.737	-0.180

The forecast breakdown for the Early Years block is shown in the table above, at quarter 1 all areas are fully expected to be spent, revised forecast will be available after the first census is complete including the confirmation by the Department for Education of the clawback from the previous financial year. Once the information is available to calculate the commitment against the contingency the LA will consider how any surplus funds can be allocated.

3.8 High Needs Block

The High needs block funding allocation for 26-27 is **£68.938m** (this includes the schools block transfer of £1.394m) The graph below shows HNB funding over the last 6 years, showing a year-on-year increase.

Note that 26-27 base allocation increase was due to mainstreaming of grants, previously paid separately to Schools and not due to number increases, the HNB was based on 25-26 allocations in essence a ‘cash flat’ announcement.



The in-year deficit forecast in 2026/27 as part of the budget set, was £9.966m bringing the forecast cumulative deficit for Derby to £33.579m at the end of the 2026-27 financial year.

The table below shows the breakdown of the High needs forecast

2025-26	High Needs Block	2026-27	2026-27	2026-27	
Outturn		Original Budget	Forecast	Variance	
£'m		£'m	£'m	£'m	Narrative for the variance
	HN block allocation	67.265	67.544	0.279	Additional allocation to rebase the core school budget grant , reflecting a pupil number update
	Transfer from Schools Block	1.394	1.394	-	
64.956	Allocation including transfer	68.659	68.938	0.279	
	Requirement				
2.910	Staffing and Contingency	4.041	3.902	-0.419	This covers direct support to school to implement SEND Support, training and events. (note previous year benefitted from additional income offsetting pressures.
4.127	Other LA special and other LA mainstream	3.500	4.000	0.500	Increase in numbers, and an increase in complexity for pupils in special schools
13.006	Independent Special Schools including post 16	10.164	11.000	0.836	The LA has reduced the need of placing in Independent school however the cost per placement has gone up. Reduction of 16 places in the academic year
8.822	Further Education providers	8.448	9.580	1.132	
23.603	Special Schools including post 16	31.518	28.486	-3.032	This is due to, forecasting placements for full school year element 3, matrix coming into force for some special schools by April 2026. Matrix for Special Schools for Phased Transfer needs to be added to this forecast as this will come into force for September 2026. Also increase in Band for one special school from September 2026 so they are in line with the other schools
4.336	Enhanced Resource settings	4.254	4.254	0.000	
1.923	Alternative Provision	3.538	3.278	-0.260	cost of alternative provision and school exclusions
0.240	Hospital Medical Tuition	0.125	0.125	0.000	
13.213	Mainstream and Academy - E3 including post 16	11.636	12.803	1.167	Although this shows an increase predicted due to increase in mainstream placements
0.191	Education otherwise than at school (EOTAS)	0.951	1.034	0.083	
0.445	Early Years inclusion fund	0.45	0.450	0.000	
72.815	Total Requirement	78.625	78.911	0.007	
7.859	In-year planned deficit	-9.966	-9.973	0.007	

For this financial year we have a number of projects in place to mitigate against spend:

- Target early help to reduce the needs for an EHC Needed Assessment being requested by
 - Improvement of mainstream school inclusion,
 - Early Intervention and graduated approach,
 - Staff training at SEND Support,
 - outreach from specialist staff
- Continue the capital program to development more Enhanced Resource Provision places and special School places

- Continuing rigorous discussions with schools on E3 funding requests
- Implementation of the expert at hands

To note: -

The downturn in the HNB deficit will not be seen immediately from the mitigated actions implemented over 2025/6. This is a 3-year journey. Until we can demonstrate that EHCP outcomes have been met through an annual review process then the charges are 'baked in'. The issue with INMSS increases in fees will not be effectively addressed until the new national banding system is introduced by the DFE. However, a new regional commissioning protocol for INMSS is being developed in anticipation of the funding reforms.

In terms of ensuring fair resourcing into special schools, we have leveled up the funding in one special school to ensure that it is comparable to similar cohorts.

Given the non-sequential way the White Paper has introduced the SEND reforms, by increasing expectations without levelling up funding in mainstream schools, it would not be judicious to implement the matrix across all existing EHCPs outside of an annual review or phase transfer, when outcomes can be demonstrated.

4.1 Dedicated Schools Grant Reserve Balances

The table below shows the DSG reserves position over the last 9 financial years plus current year forecast.

	£ million	
2017 18	6.994	
2018 19	2.836	
2019 20	2.582	
2020 21	4.211	
2021-22	(1.4)	Deficit
2022-23	(4.443)	Deficit
2023-24	(12.688)	Deficit
2024-25	(16.189)	Deficit
2025-26	(23.274)	Deficit
2026-27	(33.067)	Deficit forecast

Total in year deficit at Qtr 1 for 26-27 is forecast to be £9.793m.

This will bring the cumulative deficit at the end of 2026-27 to £33.067m

5.1 **SEND Reform plan (previously deficit management plan)**

All local authorities with a SEND deficit will be eligible in 2026–27 to receive a High Needs Stability Grant covering up to 90% of their High Needs related DSG deficit accrued up to the end of 2025–26. This grant will only be paid once each local authority has secured approval of their local area’s Local SEND Reform Plan.

Local authorities will not receive any payments until their Local SEND Reform Plan has been approved.

For deficits that arise in 2026–27 and 2027–28, local authorities can expect that we will continue to take an appropriate and proportionate approach, though it will not be unlimited. Future support will take into account LAs' successful delivery of their approved Local SEND reform plan, including appropriate use of investment to establish an Experts at Hand offer.

For more information contact: Background papers: List of appendices:	Janice Hadfield, email Janice.Hadfield@derby.gov.uk
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