

Dedicated Schools Grant 2025-26 –Financial Outturn

SUMMARY

- 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. This report is to give account on the 2025-26 financial outturn.

RECOMMENDATIONS

- 2.1 To note the outturn position for 25-26 is a £7.085m in year deficit, a more favourable position to the quarter 3 forecast of £7.8m. The final position reported was a higher in-year deficit than the original budget set £6.56m. It needs to be noted that this outturn does include a provision for any clawback of funds relating to the early years block as detailed in section 3.4.
- 2.2 To note the 2025-26 DSG reserve position in section 4.0 stating a cumulative deficit of £23.274m.
- 2.3 To note the requirement for a Local SEND Reform Plan in section 5.0.
- 2.4 To note the Maintained School Revenue Balances held by the LA in section 6.0
- 2.5 To note the Maintained Schools licenced deficits in section 7.0

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.

The 2025-26 allocation for the DSG is £375.241m and is made up of four blocks of funding:

- Schools Block £266.755m (included the Mainstream Schools Additional Grant and £1.580m NNDR)
- Central School Services Block £2.465m
- High Needs Block £63.58m

- Early Years Block £42.440m

The levels of demand have meant that there are insufficient resources to meet needs. A substantial number of local authorities are operating with a High Needs deficit. In Derby, the cumulative total deficit is £23.274m at the end of 2025/26.

3.2 School Block is reporting a £0.145m underspend

The School Block includes funding for individual schools which is delegated in full to maintained schools and academies and for the revenue costs associated with opening new, and expanding, mainstream schools.

The small underspend is due to a reduction in growth funding- the budget provided for an increase in secondary school placements, but not all places were needed. The underspend was also partly due to the revaluation of four school premises for non-domestic rates.

Budgets for the cost of Nondomestic rates are delegated to individual schools based on actual cost; any underspend will be returned to the DSG.

3.3 Central Block is reporting a balance position.

The central block continues to fund historic financial commitments related to schools such as premature retirement costs, some budgets related to schools that are centrally retained e.g. admissions, servicing the Schools Forum and school copyright licences.

The funding allocation is being reduced annually as the DfE have an expectation that these financial commitments will naturally expire. The Local authority continues to fund the pressure from its general fund.

3.4 Early Years Block underspend £0.636m

The final outturn for the Early Years relates to three areas,

- Full implementation of the Government's Extended Childcare Offer (ECO) led to fluctuations in the numbers of hours on offer -v- actual take up, caused a situation whereby contingency planned for growth was unable to be allocated.
- Funded childcare accumulated within the stretched funding model that could not be accrued into the 2026/27 financial year.
- Disability Access Fund (DAF) is grant funded and ringfenced limiting the Council's scope as what the fund can support

Where hours have not been taken and will be clawed back by the DfE in line with the new funding arrangements these amounts have been accrued to ease pressures on 26-27 – that value across all age ranges was £0.9m and is within the outturn stated above. These funding clawbacks will take effect in the first term of the new financial year.

The underspend reported because of the stretch offer delivered in Derby, is £0.4m due to the hours yet to be taken this element cannot be accrued. However, Derby has a solution to only fund hours taken across all elements of government childcare by paying all providers on a termly headcount from September 2026 to fully mitigate against any potential underspends in this area for 2026/27.

In addition, following full implementation of the Government's ECO together with changes to the DfE's funding methodology requiring local authorities to submit termly census data from annual submissions will ensure Derby receives actual funding calculated on a participation model for the 2026/27 financial year.

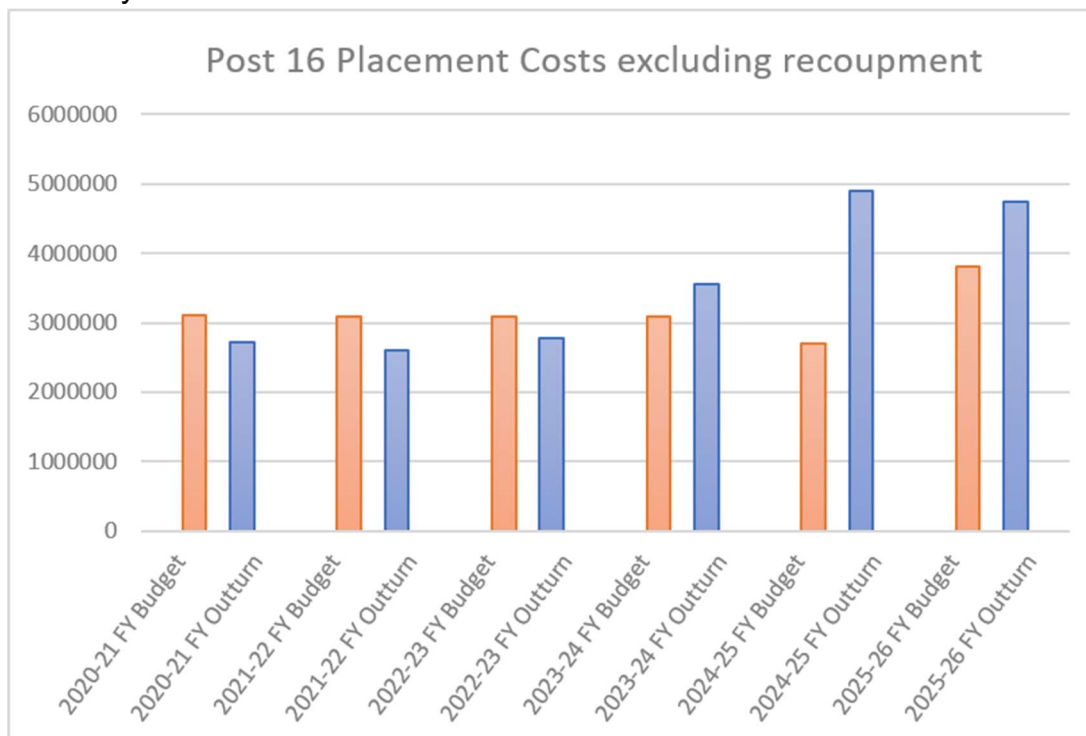
The remaining £0.200m underspend £200k in DAF and unspent contingency is because of the fluctuation in take up of places -v- numbers of hours, actual take up was lower than the allocation anticipated.

We are pleased to report now the ECO has been fully implemented, Derby is seeing stabilisation of take up across all areas of early years government funded childcare enabling consistently accurate termly budget setting and monitoring going forward.

3.5 **High Needs Block outturn variance is £7.859m deficit. The original budget was set at a deficit position of £6.56m for the year, the following in year movements contributed to the deficit increase of £1.299m.**

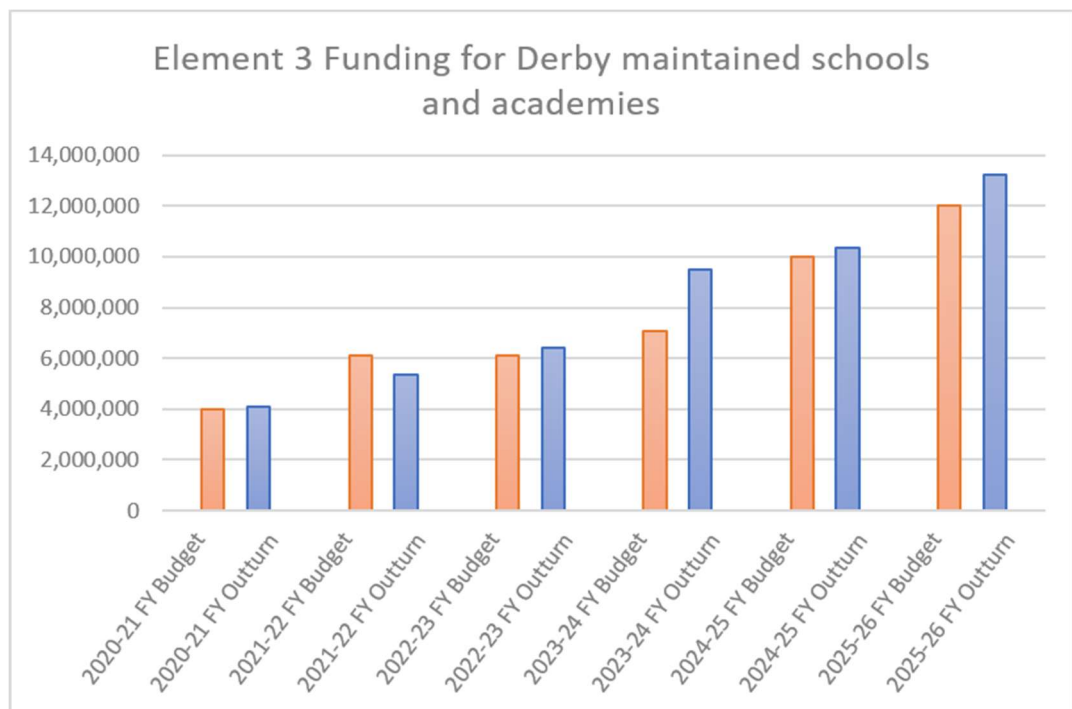
The overall outturn position increased by a further £0.434m from Quarter 3 due to several variances. The narrative below gives context to the final outturn against the budget set and the changes in the last quarter.

- **Post 16** outturn £5.132m. a £1.332m pressure against an original budget of £3.8m. (an adverse change of £0.912m from Quarter 3). The pressure arose from both increased number of students placed at Derby College and **Derby City Council FE provision** (DALs and Transition 2) which is a positive for the number of students remaining in the city. The table below demonstrates outturn against budget over several years



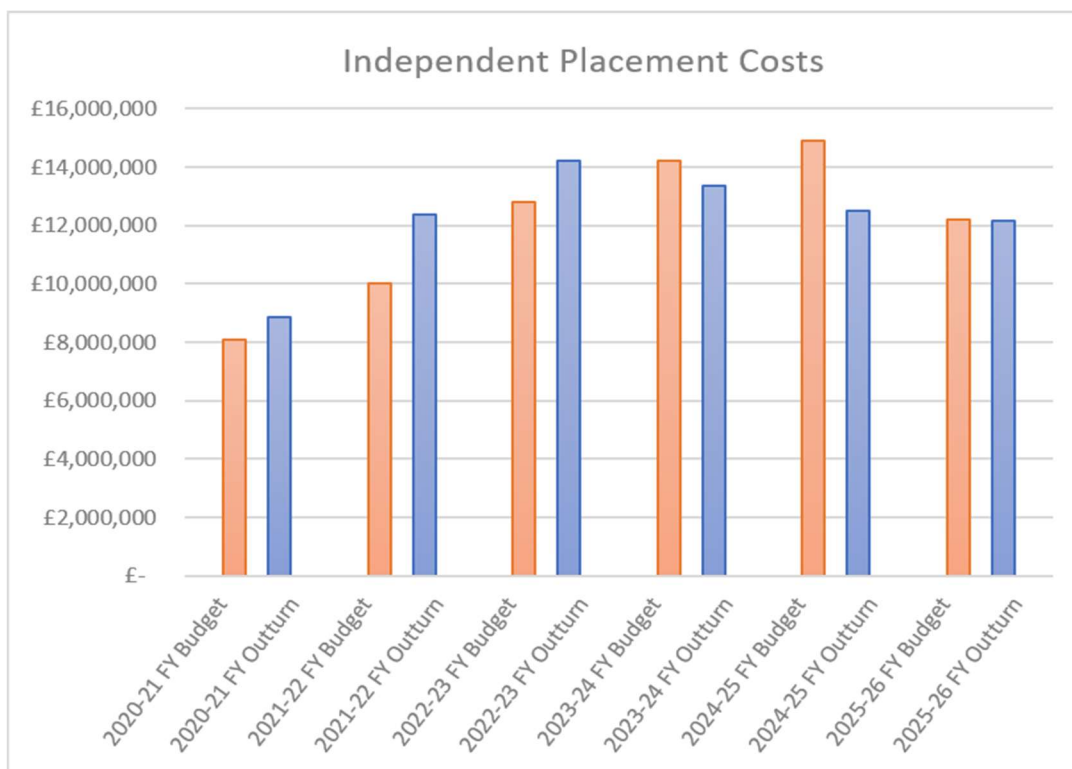
- **Maintained School's Element 3** – outturn £13.213m against a budget of £12m, a pressure of £1.213m. There was a reduction in forecast of £1.848m from Quarter 3 due to redirecting learners to ER provisions within mainstream schools. The chart below shows the year-on-year trend of element 3 spend against budget. 749 EHCP plans were receiving funding on 31 March 2025 as of March 26 the number of

recorded paid plans was 1300. The increase was mainly due to the SEND team implementing the recovery plan to address delayed plans. Therefore, this period cannot be viewed as a typical or an increase in referrals. To note as of April 2026 there were no delayed plans. Where there were delays in funding, this was also addressed.

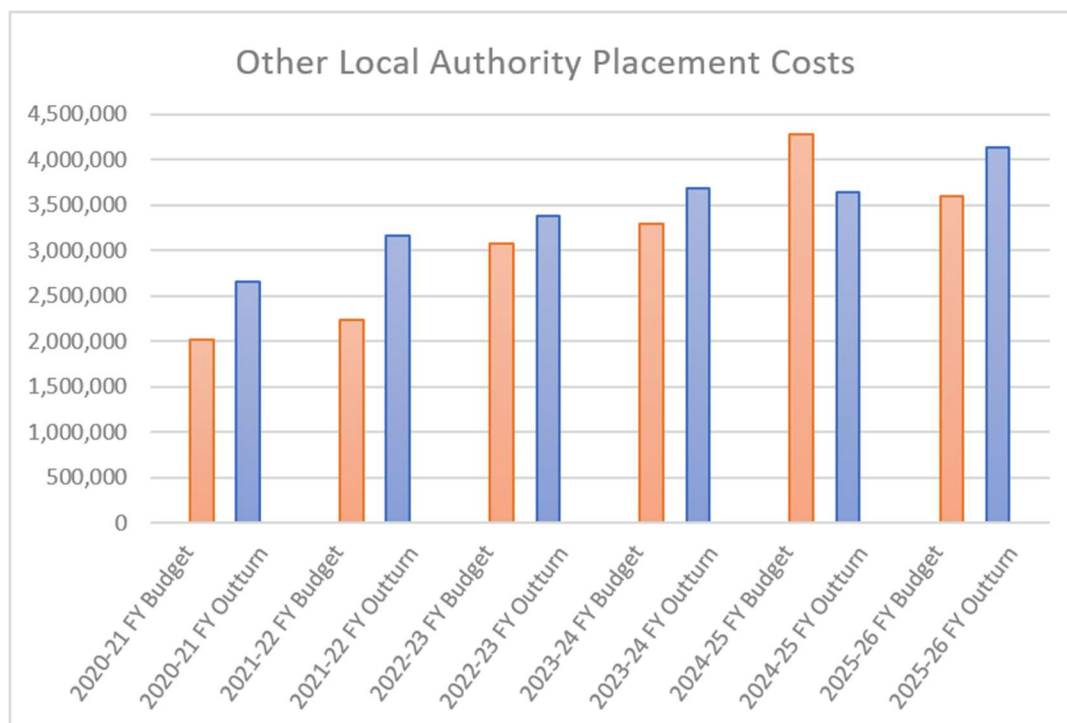


- **Special Schools and Alternative Provisions** – outturn £15.067m against a budget of £15.193m. An underspend of £0.126m, a slight movement of £0.255m from Quarter 3 due to some backdated funding adjustments resolved before the financial year-end close. The budget set at the beginning of the year was broadly balanced for these settings.
- **Enhanced Resource Provisions** – outturn £2.957m against a budget of £2.753m, a slight pressure of £0.204m. There was a significant change of £1.098m from the reported Quarter 3 position due to both backdated placement funding, and new placements redirected to the ERs from mainstream. The overall budget, like special schools and alternative provisions was broadly balanced.
- **Personal budgets** – outturn £0.191m against a budget of £0.5m, an underspend of £0.309m this is due to lower direct payments to parents in favour of more effective direct commissioning arrangements to support individuals.
- **Independent School places** - outturn £13.006m against a budget of £12.730m. A slight pressure of £0.276m. An increase of £1.103m since the Quarter 3 forecast. The outturn includes all independent and non-maintained special schools (INMSS) and pre-16 alternative provision. The significant change since the previous quarter is primarily due to the increases in the cost of placements and not the number of placements; to note the average independent cost for 25-26 was £65,902.32 an increase of 20% from the previous year, Overall numbers are down from last year 183 at the end of 25-26, down from 195 at end of 24-25.

The table below demonstrates the budget and outturn position over several years.



- Other Local Authority schools** - outturn £4.127m against a budget of £3.6m, a pressure of £0.527m. An increase of £0.627m from previous Quarter3 reporting due to the increased number of placements awarded to a particular Derbyshire's County Council special schools coupled with a review of plans.



- Staffing and contingencies outturn of £2.801 against a budget of £4.434m a saving of £1.633m due to a one-off import and export adjustment £0.372m and a £1.261m release of contingency and vacancy slippage to support pressures elsewhere.

- Hospital and medical outturn £0.198m against a budget of £0.384m, a slight saving of £0.186m due to lower numbers accommodated.

The table below demonstrates the Outturn movement between the original budget and Quarter3

High Needs expenditure Outturn	Original budget set	Recoupment and by DFE	Revised budget post recoupment	Quarter 3 Forecast	Outturn 2025-26	Outturn Variance between budget and outturn (Surplus)/ Deficit
	£'m	£'m	£'m	£'m	£'m	£'m
Staffing and contingencies	3.588		3.984	3.940	2.356	-1.628
Other Local Authorities	3.600		3.600	3.500	4.127	0.527
Independent and non-maintained special schools and Out of Authority costs	12.730		12.730	11.903	13.006	0.276
Post 16 Education	7.490	3.69	3.800	4.220	5.132	1.332
Special Schools and PRUS	26.205	11.012	15.193	14.812	15.067	-0.126
Enhanced Resource settings	4.100	1.379	2.753	1.859	2.957	0.204
Hospital Medical Tuition	0.426	0.042	0.384	0.302	0.198	-0.186
Maintained Element 3 (top ups)	12.000		12.000	15.061	13.213	1.213
Personal budgets	0.500		0.500	0.300	0.191	-0.309
Early Years inclusion fund	0.450		0.450	0.450	0.445	-0.005
Total Expenditure	71.089	16.123	55.394	56.347	56.692	1.299
Funding Allocation	64.529	16.123	48.833	48.923	48.833	0.000
Forecast Deficit	6.560		6.561	7.424	7.859	1.299

4.0 Dedicated Schools Grant Reserve Balances

The table below shows the DSG reserves position over the last 9 financial years.

	£ 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

The total Deficit of £23.274m is basis for the High Needs Stability grant detailed in section 5.

5.0 **Local SEND Reform Plan**

On Monday, 23rd February, the government published its Schools White Paper, setting out a clear and ambitious plan to create an education system where every child and young person can achieve and thrive. With an ambition is to raise standards, improve inclusion and broaden children's experiences so that every child leaves school with strong foundations for life and work.

This is backed by over £7bn of investment over the next 3 years to embed inclusive practice in mainstream schools, deliver easy access without statutory assessments to experts including Educational Psychologists, Speech and Language Therapists and Occupational Therapists and create tens of thousands of new school places for children and young people with SEND in mainstream settings, with thousands of new inclusion bases, and in special schools.

The funding and support to deliver these changes begins from 2026/27 and families must correspondingly start to feel this change now

Each local area partnership must develop and submit a Local SEND Reform Plan in June 2026, these documents need to clearly set out how we will improve and further strengthen our system, tilting provision towards stronger inclusive practice and early intervention, and ensuring that the conditions underpinning effective long-term outcomes are in place.

Local authorities act as the system 'convener', taking the lead to bring together all system partners and ensure they work together to develop and deliver the Local SEND Reform Plan. Similarly, the government has clear expectations on all system partners to proactively respond to the local authority's leadership, ensuring they commit resources and fulfil their responsibilities in the partnership.

All local authorities with a SEND deficit will be eligible in 2026–27 to receive a High Needs Stability Grant covering up to 90% 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.

6.0 **Maintained School Revenue Balances to be carried forward at the end of 25-26 financial year.**

There are currently 33 schools maintained by Derby City Council. The total balances held by all schools was recorded as £9.284m, an increase of £0.645m from the previous year's balance of £8.63m.

At the end of 2025-26, most maintained schools carried forward a surplus balance ranging from 1% to 170% of the school budget (average being 25.3%).

Balances for academies are published by the DfE from the Academy Accounts Return (AAR).

There is recognition of the growing number of Derby schools seen to be in 'financial difficulty'. The Schools Financial Regulations require schools to maintain a balanced budget; however, regulations also recognise that circumstances may mean that this is not always possible. The Scheme for Financing Schools permits schools to apply for a licensed deficit for a period of three years and in exceptional cases this can be extended, these are subject to various limitations. A licensed deficit being an agreement between the school and the Authority. The ultimate responsibility for formulating a recovery plan, and setting a balanced budget, lies with the Governing Body of the school.

7.0 Five Derby Maintained schools reported a deficit position all were already part of a planned deficit recovery. The total deficit value in 25-26 is £0.651m being carried forward as part of the individual school recovery plans.

As of 1st May 2026, 5 schools are working on a deficit recovery. These are as follows.

Ashgate Nursery
Central Nursery
Portway Infant
Wren Park Primary
Gayton Junior.

Licenced Deficits

Ashgate Nursery and Central Nursery, currently working to recover their deficits as per a separate cabinet paper. Original plan was to see both schools back into balance by the end of 2027-28 financial year. The Local Authority's Accountancy Support Team continue to monitor progress, The cumulative deficit at the end of 25-26 is £0.370m. compared to the original plan of £0.301m

Portway Infant School - Submitted a deficit plan at the start of 2024-25 for a licenced deficit, with a planned recovery over 3 years. The planned budget deficit for 25-26 was £0.035m, the actual end of year deficit in 2025-26 was £0.065m. The Local Authority's Accountancy Support Team continue to monitor progress of the recovery plan reporting to the necessary Senior Leaders within the LA as required.

Wren Park Primary School submitted a retrospective deficit request at the beginning of 24-25 recording a small deficit for 2023/24 of £0.008m, the licenced deficit request was then to apply for a further deficit for the next 2 financial years. The planned deficit for 2025-26 was £0.034m. The actual year end deficit for 2025-26 is recorded at £0.070m. The Local

Authority's Accountancy Support Team continue to monitor progress of the recovery plan reporting to the necessary Senior Leaders within the LA as required.

Gayton Junior School applied in the financial year 2025-26 for a retrospective deficit of £0.121m for the year ending 24-25, with a further deficit over the following 2 years. The planned deficit for 2025-26 was £0.143m. The actual year end deficit for 2025-26 is recorded at £0.114m. The Local Authority's Accountancy Support Team continue to support the school as they work on a recovery plan to ensure long term sustainability.

De-delegation 25-26

The below table shows the agreed De-delegated service areas for 25-26

	Secondary Vote	Primary Vote
Support for Schools in Financial Difficulty: £138,016 approx. £12.88 per pupil	Y	Y
Insurance: £217,204. approx. £20.27 per pupil	Y	Y
Central Staff Cover: £237,141 approx. (£27.13 per pupil)	Y	Y
Primary Pupil Support Grant: £30,541 approx. £4.36 primary only	N	Y
Behaviour Support Services: £47,774 approx. £6.82per pupil primary only	N	Y
New Communities Support Team £177,771 approx. £16.59 per pupil	Y	Y

Voting is for maintained schools only

All areas were reported as fully spent, to note that School in Financial difficulties pool was applied to one maintained school Wren Park.

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