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## **Dedicated Schools Grant 2026-2027**

### **Purpose**

- 1.1 **This report provides the Schools Forum with details on the Schools Budget and Dedicated Schools Grant (DSG) funding for the 2026/27 financial year. The report focuses on the areas that the forum needs to consider for budgets for schools, early years providers and local authority (LA) central services to be set prior to 31 March.**

On the 17<sup>th</sup> of December 2025 the Department for Education (DfE) announced the Dedicated Schools Grant (DSG) for Derby City. DSG allocations are based on the financial year rather than the academic year. Government and Local Authority budgets operate on a financial year basis (April to March). Aligning school budgets with this cycle ensures consistency and facilitates smoother financial planning and allocation processes whilst aligning with cabinet ratification.

**The 2026-2027 DSG allocations reflect the continued change in the process for national non-domestic rates whereby the DfE will pay billing authorities directly for both academy and maintained schools**

- 1.2 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 2026-27 allocation for the DSG is £396.324m 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 £67.265m (includes the core school budget grant £3.59m and enhanced resource units Schools budget support grant and national insurance grant £0.094m)
- Early Years Block £47.917m \*\* maximum budget including a government termly adjustment for three- and four-year-old.

- 1.3 For 2026-27, the following grants have been mainstreamed into the School Block base and will no-longer be paid as a separate grant.
  - National Insurance contributions (NICs) grant (£4.365m)
  - Schools budget support grant (SBSG), (£3.848m)

For 2026-27 the following grants have been mainstreamed into the High Needs Block

- Core school budget grant (£3.590m)

- ERS NI and school budget grant (£0.094m)

For 2026-27 the following grants have been mainstreamed into the Early Years Block

- NI and Teacher pay grant (£0.265m)

A separate grant will fund the extension of Free School Meals (FSM) to all Universal Credit households from September 2026; it will be paid in addition to the main funding blocks. (Value to be announced)

1.4 The 2026-27 schools National Funding Formula (NFF) will use the same factors as the 2025-26 NFF and operate the same way with the exception of the PFI factor.

For Private Finance Initiatives (PFIs) funding, the default expectation will be that previous years' PFI funding through the NFF will be increased by the Retail Prices Index excluding mortgage interest payments (RPIX) measure of inflation. If local authorities want to request that the funding is increased by a higher amount, then they will need to submit an affordability model to DfE.

1.5 For Derby the increase in school block funding from 2025-26 to 2026-27 is 4.51% due to mainstreaming the grants listed in section 1.3. **Excluding the grants the increase is 2.59%.**

1.6 Pupil premium funding rates for the financial year 2026-2027 **have been announced.** These rates are increasing by 2.23%, in line with the GDP deflator measure of inflation.

- primary FSM6 pupils: £1,550
- secondary FSM6 pupils: £1,100
- looked-after children: £2,690.
- children who have ceased to be looked-after £2,690.
- service children £360

1.7 The Early Year's Block is reporting an increase (£6.798m) due to the continued roll out of the extended early years offer and the full year effect of the changes implemented in the previous financial year, these changes are detailed in section 3.8.

1.8 The Central School Services Block continues to be reduced. For 2026-2027 the reduction is circa £0.110m.

1.9 In 2026-27, local authorities' high needs allocations will be based on their 2025-26 allocations, (grounded in October 2024 census data), effectively meaning a "cash flat" starting point before specific local changes. The total funding for high needs will remain at £12 billion nationally in 2026-27.

The High Needs Block allocation in Derby has been increased in 2026-27 by 5.79% - circa £3.684m to £67.264m **due to the mainstreaming of the grants.** There has been no increase to the HNB allocation reflecting the increase in the number of EHCPs.

There continues to be significant challenges for the High Needs Block in Derby, section 6 shows the ongoing impact of the deficit position faced by the authority.

1.10 The High Needs Block Statutory Override is a temporary UK government accounting rule allowing local authorities to separate [Special Educational Needs and Disabilities](#) (SEND) deficits from their main budgets, preventing a [Section 114 "bankruptcy" notice](#) due to rising High Needs funding shortfalls. Has been extended until March 2028,

While the Statutory Override is in place, many local authorities will continue to accrue deficits on their high needs spending; and with that continue to fund the deficit through local authority treasury costs.

The government is beginning to provide further detail on plans to support local authorities with historic and accruing deficits. Conditions for accessing such support will become clearer after the government proposed that it will take over the funding of SEND from 2028/29 onwards.

## Recommendations

- 2.1 To note the allocations of the Dedicated Schools Grant as detailed in this report.
- 2.2 To note top slice £1.394m from the school's block, as per the approved school's forum report in December 2025.
- 2.3 To support the recommendations to Council Cabinet for the following changes to the funding formula for schools: -
  - To increase the Minimum Funding Level per pupil primary £5,115 per pupil and secondary £6,640 per pupil.
  - To implement a cap on growth above 2% per pupil with 67.37% being scaled back.
  - To set a Minimum Funding Guarantee of 0%.
- 2.4 To support the recommendation to Council Cabinet of a base rate element of the Early Years Funding for: -
  - 3 and 4-year-olds base rate of £5.79 an increase of £0.27 per hour (4.89%).
  - Additional Support 2-year-olds of £8.42 per hour this is an increase of £0.32 per hour (3.95%).
  - Working parent 2-year-olds of £8.42 per hour this is an increase of £0.32 per hour (3.95%).
  - Working parents 9 months to 2-year-olds of £11.46 per hour this is an increase of £0.30 per hour (2.69%).
- 2.5 To support the value of Growth Fund of £0.018m to be retained centrally for a small cohort of potential growth.
- 2.6 To note the 2026/27 High needs block deficit of £9.966m giving a cumulative deficit across all blocks at the end of 2026/27 of £33.956m.
- 2.7 To note the 3 appendices with school level detail currently confidential papers.

## National Context and changes to the Funding Formula

### Schools Block – National Context

- 3.1 Funding to Local Authorities is distributed using the National Funding Formula (NFF), a local formula is adopted to distribute funding (soft National Funding Formula) although the Department for Education (DfE) has indicated that the move to a full National Funding Formula for individual school allocations is still very much the desired ambition and local authorities should be adopting this approach in the design of its local funding formula.
- 3.2 The Authority Proforma Tool (APT) is a key component used by the DfE to understand the factors within the formula. The tool collects essential data about schools, such as pupil numbers and characteristics which are crucial in determining the funding allocations. Those various factors and criteria specified in the NFF determine the funding for each school.
- 3.3 The School Block is a set amount of money allocated to individual LAs. It is important to understand that whilst there could be an element of growth for new pupil numbers, not funded in the previous financial year, if pupil characteristics change and demand for certain factors increase, the money must come from this block. For example, if more students need free school meals, there will not be extra money added to the block. The local authority must find a fair way to use the existing allocation to meet these needs and work with what they have.
- 3.4 The DfE announced In December 2025 that funding through the mainstream schools national funding formula (NFF) will be not significantly differed to 2025-26 other than a continued program of mainstreaming grants into the school block base.
- 3.5 The changes to the Schools Block for 2026-2027 are as follows.
  - **A 3.2% increase for Primary and a 2.2% increase for Secondary** has been applied to the Minimum funding levels per pupil, set as part of the NFF. For 2026-27 primary schools are at least **£5,115** per pupil and secondary school at least **£6,640** per pupil.
  - These values are mandatory and must feature at a local level. **The increase is related to the mainstreaming of the two grants into the funding base.** This means that instead of schools receiving these grants as additional separate payments, the money is included within the overall funding calculation. Such a process simplifies the funding process by introducing a formulaic calculation giving consistency and transparency.
  - Pupil mobility factor, the proportion of mobile pupils in a school remains above the threshold of 6%, this results in the trigger of funding.
  - Local authorities will continue to set a minimum funding guarantee in local formulae, which in 2026-27 must be between -0.5% and 0% per pupil, no change from the previous year.

- There are no gains cap in the allocations applied to local authorities however local formulae can feature one, this is usually used to address affordability issues and has been the agreed method by Derby in past years.
- Mechanisms permissible in the NFF to ensure there is equity amongst schools and funding is fairly distributed are as follows:
  - Minimum Funding Guarantee (MFG) The Minimum Funding Guarantee (MFG) is a mechanism used in the school funding formula to ensure that schools do not experience a significant reduction in their per-pupil funding year-on-year.
  - Minimum Funding Levels (MFL) - The Minimum Funding Level (MFL) refers to the guaranteed minimum amount of funding that a school will receive per pupil. This is designed to ensure that all schools have a baseline level of funding to meet essential educational needs, regardless of their specific circumstances or the characteristics of their pupils.
  - Capping and Scaling - Capping is applying a maximum percentage of year-on-year funding gain. Scaling is applied to the cap to scale back its impact. It is important to note that capping and scaling is not a reduction in school funding but a limit on the amount of year-on-year funding gain available to an individual school. Irrespective of the capping and scaling mechanism all schools will receive the funding guarantees set within the 2026-27 NFF, will receive an increase in per pupil funding and will receive all the funding the DfE have provided for the NFF.
  - Abatement of factors, the various formula factors could be scaled back from 100% to 97.5% - 2026-27 states that LAs are to continue to 'mirror' the NFF factors within a tolerance of 2.5% from a 100% mirror.

3.6 The Notional SEN budget is an identified amount of funding within a schools overall delegated budget that is to contribute to the special educational provision of children with SEN or disabilities and is to guide schools in the allocation of resources to meet additional needs of pupils. In terms of high needs, the national funding system sets out that element 2 funding is met from the notional SEN budget, the table below demonstrates the national expectation.

Funded by local authority	Paid by Local Authority for each occupied place - may be more than one funding authority	Total cost of provision specified in Education, Health and Care Plan Needs less £6,000	Element 3	Element 3 funding - sometimes referred to as 'Top up' is paid where the additional provision within the Education, Health and Care Plan exceeds £6,000 by the local authority with financial responsibility for the pupil and is in addition to the school delegated budget
£10,000		<b>High Cost, Low Incidence</b>		
	£6,000	First £6,000 of cost of provision specified in Education, Health and Care Plan	Element 2	Element 2 Funding is met within the school delegated budget from the Notional SEN Budget. This is subsidiary calculation within the delegated budget consisting of 4% AWPU, 50% Low Prior Attainment and 67% IDACI. It is a financial measure of the expected level of SEND within the school population.
Funded by school from delegated budget*	£4,000	<b>Low Cost, High Incidence</b>  Universal provision for all Pupils	Element 1	Element 1 Funding is the delegated pupil led funding for all schools and not affected by the individual level of need of pupils
		<b>Universal</b>		

\* Delegated budget refers to the S251 Statement for maintained schools, GAG for academies and Core Funding for FE Providers

3.7 The calculation of the Notional SEN Budget is locally defined. The calculation captures the formula factors that correlate to the expected incidence of SEN rather than indicators that are the result of an identified SEN needs through, for example, the number of EHCP's within the school.

As the Notional SEN Budget is intrinsically linked to the funding formula it is subject to similar increased to that for overall pupil funding.

In accordance with the High Needs Operational Guidance the local authority is expected to continue to assess schools where there is any potential for notional SEN budget to not be sufficient to meet commitments to element 2 funding. Schools should, within their management processes, consider how their SEN notional budget is fully deployed to support pupils within the mainstream school environment. 2026-27 sees the government continue to check notional SEN allocations within each school budget and they are collecting this data as part of the authority proforma tool (APT). A school's notional SEN budget should provide at least £1,800 per pupil identified as on SEN support, having deducted £6,000 per pupil for whom the school receives top-up funding. The DfE recognises that there is currently no national approach to the calculation of schools' notional budget for pupils with SEN through the NFF, however an increase in eligible pupils for SEN support will not trigger any additional funding but may require a rebasing of the factors chosen locally which support the notional SEN calculation. Appendix 3 demonstrates Derby's notional SEN position.

### 3.8 Early Years Block - National Context

For 2026 to 2027, there are 2 key adjustments to funding local authorities:

- funding provided through the 2025 to 2026 early years national insurance contributions and teachers' pay grant (EYNTPG) has been rolled into the national average funding rate for 3 and 4-year-olds, 2-year-olds and 9 months

to 2-years-old as stated in section 1.3. The DfE stated that in including this grant funding at national level, the government have reflected their scope of the 2025 to 2026 EYNTPG and have streamlined their approach to rolling funding in, compared to equivalent teachers' pay funding in previous years.

- from financial year 2026 to 2027, the government are introducing a funding system to fund all the early years entitlements on termly census headcounts, bringing the whole Early Years count process in line with the existing process for the working parents' entitlements for 2-year-olds and under. To be noted for the first time moving away from participation funding calculated on January census for three- and four-year-olds and additional support 2-year-olds (the two original formula entitlements)
- Funding for the early years entitlements is based on part-time equivalent (PTE) hours. Defined as 1 PTE is 15 hours across 38 weeks a year (that is, 570 funded hours per annum) this has not changed for 2026-27.

Allocations were announced December 2025 based on hourly rate allocation to LAs of which all funding entitlements were to be paid from – section 5.1 details the changes. The LA's 2026-27 allocation are those allocated at an authority level, not the amounts awarded to providers.

For 2026 to 2027, the government are increasing the minimum pass-through rate to 97% (from 96% in 2025 to 2026). For 3 and 4-year-olds, this applies to the combined universal and additional hours. For 2-year-olds and under, the 97% requirement applies to each entitlement individually and cannot be met by combining them.

### 3.9 SEND/High needs block – National Context

Following the budget announcement the Government have indicated they will be Transferring the cost of SEND to Central Government from 2028/29 this will have by far the largest impact on local authority funding. There are still no firm proposals for existing deficits or short-term costs.

- The government is proposing that it will take over the funding of SEND from 2028/29 onwards: “the government would not expect local authorities to need to fund future special educational needs costs from general funds, once the Statutory Override ends at the end of 2027-28”
- This means that local authorities will not build up further deficits from 2028/29. However, the question of deficits accrued prior to this date has yet to be announced.
- Further details on the support for local authorities will be set out soon.

### 3.10 Reform of the SEND system

Reform of the SEND system is both urgent and unavoidable, with councils continuing to face unsustainable pressures driven by rising demand, increasing complexity of need, and significant deficits on High Needs budgets. A reformed system must be financially viable for local authorities, ensuring that support is delivered earlier and more effectively while reducing costly escalation. The government has indicated it will bring forward substantial proposals in February 2026 to create a more sustainable SEND system. However, clarity is still needed on how this commitment will be funded in practice. It is essential that measures to address SEND financial pressures do not come at the expense of already stretched mainstream school budgets, which remain

integral to inclusive provision and early intervention. Section 6.0 details the impact for Derby and the financial pressures arising as a result of such a suspension.

- 3.11 For the 2026-2027 financial year, the UK government has suspended the national high needs funding formula, basing allocations on 2025-2026 figures with adjustments, and will review the methodology later to align with SEND reforms. A separate grant will fund the extension of Free School Meals (FSM) to all Universal Credit households from September 2026, rather than altering the main funding blocks.
- 3.12 The DfE are also continuing the maintained special schools and special academies protection arrangements (known as the minimum funding guarantee or MFG) in 2026-27, using the 2025-26 allocations of place and top-up funding as the basis for the year-on-year calculation, and continuing to exclude any additional funding to the base funding. The MFG for special schools is set at 0% (the upper end of the range of the mainstream schools' MFG), which means that the minimum a special school will receive from their local authority in 2026 to 2027 will be the same amount per pupil, on a like-for-like comparison with their pupil cohort in 2025 to 2026.

## Supporting information

### **Schools Block - £278.787m an increase of £12.032m (Including grants being mainstreamed)**

- 4.1 The School's Block is the only ring-fenced block of the DSG and for 2026-27 has increased by £12.032m from the 2025-26 allocation. A 4.51% increase due to mainstreaming the school budget support grant (SBSG) and the National Insurance contributions (NICs) grant. **Excluding the grants the increase is 2.59%** a significant impact on the allocation is the reduction in the number of pupils at census of 477 (£3.102m) from 2025-26.

Appendix 1 demonstrates individual school's position without and with the grant base adjustment. The table below demonstrated the overall School Block increase.

	£m	%
School Block 25-26	266.755	
School Block 26-27	278.787	
Cash increase	12.032	4.51%
Grants mainstreamed into the base	8.213	
25-26 pupil funding**	-3.102	
revised cash increase	6.921	2.59%

\*\*note previous year pupil decrease as shown in section 4.6

4.2 The table below demonstrates those factors that have been impacted through the mainstreaming of these grants. Funding allocations will be based on the date of the pupil numbers used to calculate the transfers, a lag in any actual pupil numbers will affect the outcome.

**Table 1: Factor value uplifts from the rolling in of grants**

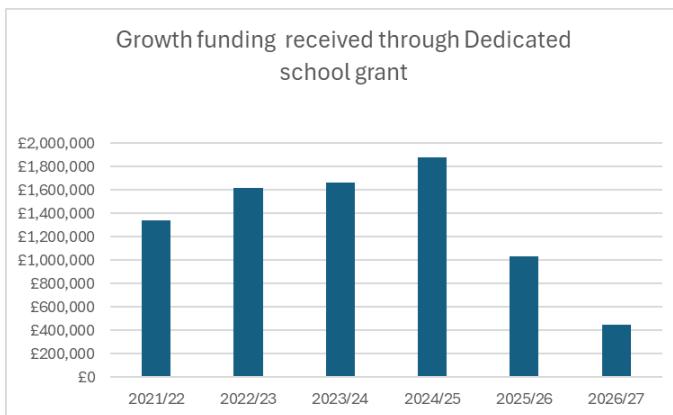
Factor	SBSG (annualised)	NICs grant	Total
<b>Primary basic per-pupil</b>	£55	£78	£133
<b>KS3 basic per-pupil</b>	£78	£68	£146
<b>KS4 basic per-pupil</b>	£88	£77	£165
<b>Primary FSM6 per-pupil</b>	£49	£75	£124
<b>Secondary FSM6 per-pupil</b>	£72	£60	£132
<b>Lump sum</b>	£2086	£2400	£4486

4.3 2026-27 sees Derby Non-domestic rates of £1.72m to continue to be paid by the DfE directly on behalf of all Derby City Schools, note that budget allocations will show the NNDR value for information only.

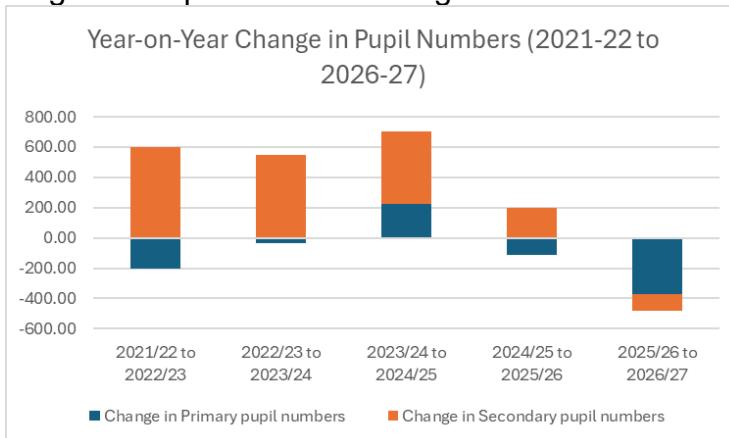
4.4 Following on from the 26-27 School block announcement Derby must consider the affordability of the NFF across all Derby City's schools and the impact based on a per pupil amount, this upholds the principle of each child benefiting from the maximum amount of school budget delegated to each individual school regardless of school status.  
 Within the overall affordability notional SEN budgets must be considered. Derby continues to check the amount of notional SEN schools receive within their budgets against the children registered for both SEN support and EHCP (as per census data).

Appendix 3 highlights the good position in Derby whereby most schools receive favourable notional budgets as part of their allocations indicating the factors chosen many years ago to identify notional SEN budgets remain current and appropriate.

4.5 Derby has seen a reduction in the growth element of the school block allocation, effecting the availability of funds within that block, the table below demonstrates the changes to growth over the previous 5 years



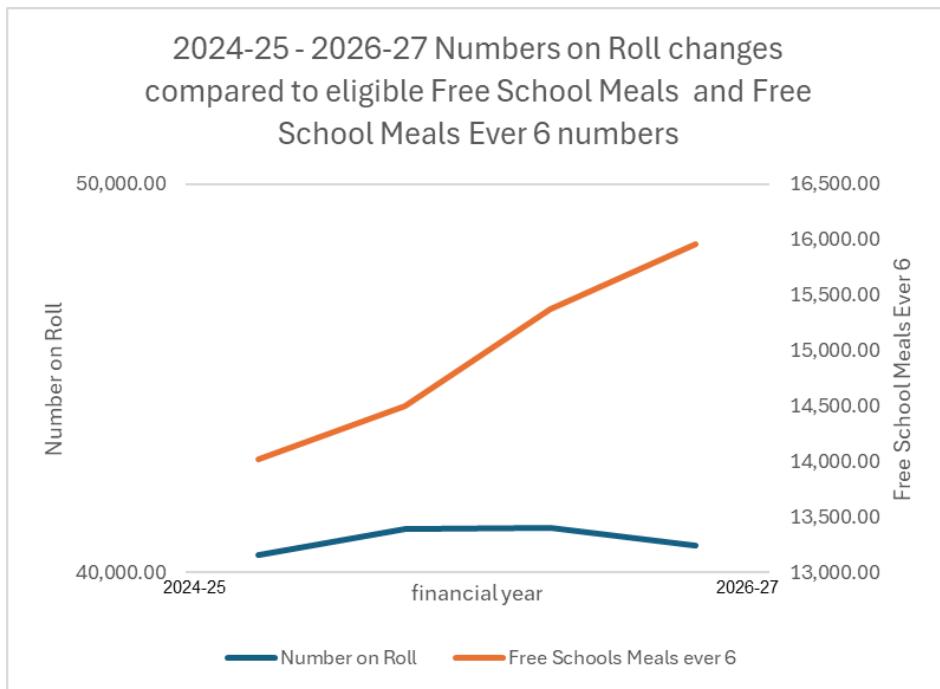
4.6 Derby has also recorded a drop in pupil numbers of 477 from Oct 24 census to Oct 25 census resulting in a circa £3.1m reduction in the 2026-27 school block. The impact of these reductions are school specific, those schools must consider the long-term impact of such changes.



4.7 Derby has funded schools at 100% NFF levels for several years, ensuring the DfE's directed amounts for each factor are paid with no factor abatements. For 2026-27 Derby wants to continue this trend due to the continuing positive position regarding minimum funding levels (MFL) with most Derby's schools funded significantly over the national prescribed values, impact does vary school to school based on the eligibility of pupils triggering the various factors.

4.8 Derby's average percentage increase per pupil continues to increase a real positive for Derby's schools. The per pupil increase within the block is 5.8% with an overall 4.5% increase in Derby's School's budgets (as identified in appendix 1). Notwithstanding the mainstreaming of the 2 grants Derby's per pupil amount is on average **23.6% greater than the MFL set for primary and on average 22.8% for secondary pupils, with some schools receiving 55% above the MFL. No Derby schools are set to receive the basic MFL as stated by the DfE.**

4.9 Although Derby's has a favourable MFL position, Derby's affordability calculation continues to be affected by a significant increase in the number of students eligible for free school meals (FSM) and those who have been eligible in the past six years "ever" FSM). The table below shows that more students are eligible even though the total number of pupils has reduced.



4.10 The following set of principles will be applied to Derby's Schools Block Funding Formula for 2026-27

- Implementation of the National Funding Formula rates in the local funding formula. Derby currently mirrors rates set by DfE at 100%.
- A Minimum Funding Guarantee set at 0% (per pupil funding protection mechanism), the most favourable percentage for schools. This applies to only 4 schools (down from 14 the previous year) (identified in appendix 2); a positive position as all schools are funded at the NFF levels and the MFG is set at the maximum amount allowable in the regulations.
- A transfer of £1.394m (0.5%) to the High Needs Block. Schools Forum have the powers to approve a transfer of up to 0.5% from the Schools Block to other areas of the DSG. The amount requested for 2026-27 is within the permitted limit.
- A cap on growth above 2% (up from 0.5% in 2025-26), scaling back of 67.37% (again more favourable from 85.4% 2025-26). Such a requirement is necessary due to the funding challenges arising from both below inflation allocation increase and greater take up of free school meals (FSM).

4.11 The allocation for the growth fund within the DSG settlement is £0.4m a reduction from £1.069m in 2025-26, signifying the reduction in pupil numbers from the previous year. Derby does not qualify for any protection due to falling rolls as the reduction is circa 1% of numbers of roll, only when a reduction of 10% is recorded will such mechanisms be triggered.

4.12 The Appendix 3 demonstrates Derby's continuing positive position regarding funding for schools with significant amounts earmarked within school budgets for those children requiring SEN support. Individual school budgets identify their notional SEN element.

4.13 **The Schools Block for 2026-27 is detailed in the table below.**

<b>Schools Block</b>	2026-27 £'m	2025/26 £'m	Change £'m
Allocation	278.787	266.755	12.032
Transfer to the High Needs Block	-1.394	-1.334	-0.060
<b>Allocation including SB Transfer</b>	<b>277.393</b>	<b>265.421</b>	<b>11.972</b>
<b>Requirement</b>			
Growth Fund	0.018	0.156	-0.138
Balance to be distributed to Schools through the Funding Formula	277.375	265.265	12.110
<b>TOTAL Requirement</b>	<b>277.393</b>	<b>265.421</b>	<b>11.972</b>

- **Early Years Block £47.917m (maximum budget including a government termly adjustment for three- and four-year-old) an increase of £6.798m from 2025/26.**

5.1 **The table below details the LA's 2026-27 allocation rates, this is those allocated at an authority level, not the amounts awarded to providers.**

#### **Derby City Council - Funding Rates (2026-27)**

<b>Age Group</b>	<b>2026-27 Hourly Rate</b>	<b>Increase from 2025-26</b>
<b>Under 2s</b>	£11.94	3.7%
<b>2-year-olds</b>	£8.78	4.2%
<b>3 and 4-year-olds</b>	£6.25*	5.2%

*\*A one-off termly adjustment of approx. 2.88% (adding roughly 18p) may be applied locally to 3 and 4-year-old rates to transition to a new termly headcount system – note - not reflected in the amount above. It is the £6.25 that is to be used as the basis for the 97% pass through.*

- **Early Years Pupil Premium (EYPP):** The rate will increase by 15% to **£1.15 per hour** per eligible child (approx. £655.50 per year).
- **Disability Access Fund (DAF):** The annual flat-rate payment for eligible children will rise to **£975**.
- **Maintained Nursery Schools (MNS):** Supplementary funding minimum hourly rates have increased to **£5.47**, with a cap of £10 per hour.

5.2 The main principles adopted by Derby City for allocating funding to providers is as follows,

- Passport maximum affordable funding as a priority to all qualifying providers.
- Create contingency fund in line with DFE guidelines.
- Create inclusion funds for all age ranges in line with DfE guidelines.
- Passport as directed both Disability Access Fund and Pupil Premium
- Top slice for each category to provide support for children with additional and emerging special educational needs, improving school readiness and a positive transition into primary school. This will be additional to the EYIF funded through the High Needs Block.

**Derby's position regarding funding is ensuring all providers gain the maximum amount affordable on their base hourly rates.** Derby has additional factors for deprivation and English as an additional language within the 3- and 4-year-old formula.

5.3 Being mindful of the challenges that providers face when presented with commitments such as the minimum wage and additional salary on-costs, Derby took decision to only top-slice 3% of the EY allocation in 2025-26, not the then permissible 4%, ensuring a pass-through rate of 97% in the previous year. This pass-through rate of 97% is now mandatory for 2026-27. SEN inclusion fund, whilst spanning all age ranges continues in 2026-27 to be primarily funded through the HNB at a value of £0.45m allowing the maximum amount of EY funding to reach all EY providers. The following base hourly rate increase reflects these decisions with the average percentage increase being **4.64%**.

5.4 For 3- and 4-year olds, Derby's budget proposals for 2026-27 are a **4.89%** increase on the base rate with an hourly rate of £5.79 (increase of £0.27) the balance is reflective of amounts paid to providers via factors such as deprivation, SEN inclusion fund and the top slice element.

5.5 For 2-year-old additional support funding (previously disadvantaged), Derby's budget proposals for 2026-27 are **3.95%** increase in the base rate, with an hourly rate of £8.42 (increase of £0.32) any balance is reflective of amounts in SEN inclusion and top slice element.

5.6 For 2-year-old working parent funding - Derby's budget proposals for 2026-27 are **3.95%** increase in the base rate, with an hourly rate of £8.42 (increase of £0.32) any balance is reflective of amounts in SEN inclusion and top slice element.

5.7 For 9 months to 23 months – working parent Derby's budget proposal for 2026-27 are **2.69%** a rate of £11.46per hour (increase of £0.30), any balance is reflective of the top slice.

5.8 The Stand-Alone Maintained Nursery Supplementary rate of £7.16 is distributed to standalone nurseries via a lump sum and hourly rate, Derby's budget proposal is to maintain the lump sum at £0.1m with and hourly rate increase of £0.08 to £4.12.

## Early Years Block - DSG Allocation and Requirement

Early Years Block	2026-27 £'m	2025-26 £'m	Change £'m
3- & 4-Year-old allocation	19.352	18.010	1.342
Additional support (previously disadvantaged) 2-year-old allocation	3.585	3.690	- 0.105
Early Years Pupil premium	0.855	0.690	0.165
Disability access fund	0.297	0.290	0.007
Supplementary funding for Maintained Nursery Schools	1.630	1.672	- 0.042
2-year-olds working parents	9.509	6.741	2.768
9 months to 23 months working parents	12.688	10.026	2.662
<b>TOTAL Early Years Funding</b>	<b>47.917</b>	<b>41.119</b>	<b>6.798</b>
<b>Requirement</b>			
Additional support 2-year-old funding	3.438	3.545	- 0.107
Top slice for EY services additional support 2-year-olds	0.065	0.111	- 0.046
3- and 4-Year-Old Funding - Universal and Extended hours	18.146	17.237	0.909
Top slice for EY Services 3- & 4-year-old	0.576	0.540	0.036
Maintained Standalone Nursery School Funding (MNS)	1.630	1.672	- 0.042
Working Parent 2-year-olds	9.119	6.478	2.641
Top Slice for EY Services working parent 2-year-olds	0.277	0.202	0.075
Working Parent 9 months to 23 months	12.178	9.721	2.457
Top Slice for EY services working parent 9 months to 23 months	0.381	0.301	0.080
Early Years Pupil Premium across all age ranges	0.855	0.690	0.165
Additional SENIF/contingency funding across all age ranges	0.955	0.332	0.623
Disability Access Fund across all age ranges	0.297	0.290	0.007
<b>TOTAL Requirement</b>	<b>47.917</b>	<b>41.119</b>	<b>6.798</b>

**High Needs Block £67.265m (includes the core school budget grant £3.59m and enhanced resource units Schools budget support grant and national insurance grant £0.094m) and increase of £4.069 from 2025/26.**

- 6.1 2026-27 sees the mainstreaming of the grants detailed in section 1.3 into the HNB – in essence the base allocation for 2026-27 is **cash flat**. The cost of the announcement of no inflation (Previously estimated at 3%) is £1.8m pressure for Derby compared to the forecast allocation increase in the deficit management plan.

The suspension of the High Needs Funding Formula (HNFF) adversely affects two other components of the budget. Firstly, the pressure of the mainstreaming grants is circa £0.7m due to DfE methodology of using place numbers based on 2025-26. Allocations are not reflecting the pupil number increase or any new provision in 2026-27. Secondly the pressure is made worse for Derby due to the DfE's decision to use October 24 census not then recognising Derby's planned growth of numbers within the SEN sector pressure of £0.5m.

**In total initial calculations show that Derby has suffered a pressure of £3m due to the decision made on the methodology of the HNB allocation.**

- 6.2 In December approval was given by School Forum to transfer 0.5% (£1.394m) from the Schools Block to the High Needs block.
- 6.3 For 2026-27 ongoing pressures within HNB remain, reserves remain in a deficit position as noted in section 7.1. The 2026-27 budget must be set to deal with the continuing challenges. Derby continues to work with the deficit recovery plan to improve the city's financial situation while still supporting the needs of children and young people with special educational needs, all supported through the High Needs Block. **This has been reflected in the requirements detailed in the table at 6.4.**

This has resulted in a further in year deficit forecast in 2026/27 of £9.966 as detailed in the table in 6.4. this will bring the cumulative deficit for Derby to £33.579m at the end of the 2026-27 financial year.

## 6.4 High Needs Block – DSG Allocation and Requirement

<b>High Needs Block</b>	2026-27 £'m	2025-26 £'m	Change £'m
HN block allocation	67.265	63.196	4.069
Transfer from Schools Block	1.394	1.334	0.060
<b>Allocation including transfer</b>	<b>68.659</b>	<b>64.530</b>	<b>4.129</b>
<b>Requirement</b>			
Staffing	4.041	3.459	0.582
Other LA special and other LA mainstream	3.500	3.600	-0.100
Independent Special Schools including post 16	10.164	12.200	-2.036
Further Education providers	8.448	7.490	0.958
Special Schools including post 16	31.518	23.156	8.362
Enhanced Resource settings	4.254	4.132	0.122
Alternative Provision	3.438	3.049	0.389
Hospital Medical Tuition	0.125	0.426	-0.302
Mainstream and Academy - E3 including post 16	11.636	11.998	-0.362
Education otherwise than at school (EOTAS)	0.951	1.030	-0.079
Inclusion	0.100	0.100	0.000
Early Years inclusion fund	0.450	0.450	0.000
<b>Total Requirement</b>	<b>78.625</b>	<b>71.090</b>	<b>7.535</b>
<b>In-year planned deficit</b>	<b>-9.966</b>	<b>-6.560</b>	<b>-3.406</b>
In-year deficit increase 25-26 as at Qtr. 3 reporting	-0.862	0	-0.862
Deficit brought forward	-22.749*	-16.189	-6.560
<b>Total Cumulative Deficit</b>	<b>-33.577***</b>	<b>-22.749**</b>	

\* Qtr 3 2025-26 forecast High Needs cumulative deficit.

\*\* High Needs cumulative deficit forecast as at Qtr3 2025-26 – Total Block deficit noted at 7.1

\*\*\* High Needs cumulative deficit forecast end of 2026-27 – Total Block cumulative deficit noted at 7.1

6.5 The cumulative deficit noted in 6.4 is the collective responsibility of Derby's recipients of DSG funding, with support from the LA and DfE the deficit will continue to be reported to School Forum alongside the success and impact of the workstreams.

## Dedicated Schools Grant Reserve Balances

7.1 The table below shows the DSG reserves position over the last 9 financial years for all blocks.

	£ million	
2017 18	6.994	
2018 19	2.836	
2019 20	2.582	
2020 21	4.211	
2021-22	(1.4)	Deficit with commitments
2022-23	(4.443)	Deficit
2023-24	(12.688)	Deficit
2024-25	(16.189)	Deficit
2025-26	(23.989)	Forecast Deficit at Qtr. 3
2026-27	(33.956)	Forecast budget Deficit

## Deficit Management Plan

8.1 It remains a requirement of the DSG: conditions of grant 2026-27 that local authorities (LAs) have a plan in place to manage their overspend on the DSG. The plan will be reworked once the final settlement and announcements on the SEND reforms have been made.

8.2 **The dedicated schools grant management plan was agreed at Derby City Council's Cabinet meeting in June 2023. The management plan outlines the current trajectory of expenditure and sets out the identified, mitigating activities aimed at bringing expenditure back in line with forecasted budgets over the next five years. The plan has been agreed by the Department for Education who will systematically review progress with senior leaders across the local area.**

<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Janice Hadfield, email <a href="mailto:Janice.Hadfield@derby.gov.uk">Janice.Hadfield@derby.gov.uk</a>  Appendix 1 – Summary of all Mainstream schools - confidential Appendix 2 – Summary of MFG schools - confidential Appendix 3 – Notional SEN analysis - confidential
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Derby schools can access the confidential papers upon request – please email [SchoolFinanceTeam@derby.gov.uk](mailto:SchoolFinanceTeam@derby.gov.uk)