SCHOOLS FORUM
Oct 2026

ITEM XX

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Dedicated Schools Grant 2026-27 – Quarter 2 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 2 financial position forecasting to the end of the financial year March 2027.

Recommendations

2.1 To note the quarter 2 financial position of the DSG showing an in-year deficit of £9.455m on the High needs block with all other blocks now reporting a balanced position

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 £32.729m.

2.3 To note the indicative High Needs Stability grant allocation of £20.947m

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 £396.903m 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 £67.844m (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 £0.3m since Qtr. 1 due to confirmation of import, export and exclusion adjustments
- Early Years Block £47.917m

3.3 The budget set for 26-27 reported a forecast in year deficit of £9.966 resulting in a forecast cumulative deficit of £33.240m. At quarter 2 the overall forecast is reporting a deficit of £9.455m which is a favourable change of (£0.518m) from quarter 1 and a (£0.511m) from the original budget set.

3.4 From 8 September 2026 local authorities are no longer required to maintain a dedicated schools grant (DSG) management plan. Instead, all local authorities must develop, maintain, and implement an iterative local SEND reform plan arising out of the Every Child Achieving and Thriving (2026) white paper. Every child achieving and thriving - GOV.UK .

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.

Plans set out how local area partnerships will strengthen local arrangements through improved inclusion, early intervention and the conditions needed to support effective long-term outcomes.

Derby City Council has now received confirmation that its Local SEND Reform Plan has been approved. As a result, the Council is eligible to receive a High Needs Stability Grant covering 90% of the Dedicated Schools Grant (DSG) deficit accrued up to 31 March 2026. The indicative grant allocation is **£20.947m**, which reflects 90% of the accumulated DSG deficit at the end of 2025/26. The final allocation will be confirmed by the Department for Education following completion of the audited outturn process, with payment currently expected on **30 November 2026**. Receipt of the grant will significantly reduce Derby's historic DSG deficit, although the Council will remain responsible for the residual 10% balance and for managing any future in-year DSG pressures.

As part of implementation and monitoring, local authorities will be required to submit quarterly financial data returns to DfE and, where requested, submit further iterations of their plans. See section 5.

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)

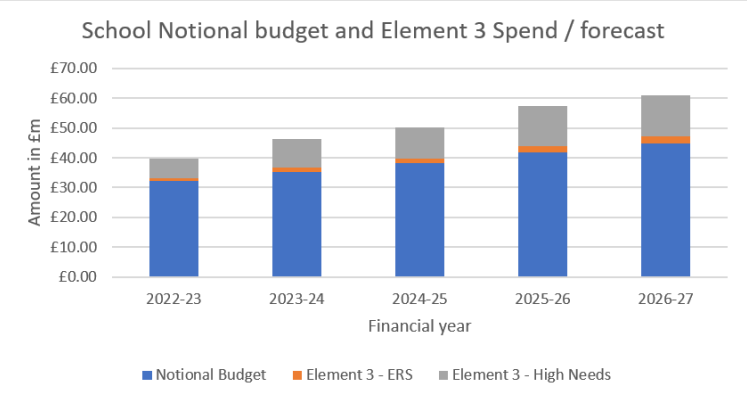
A summary of the school's block allocation is below.

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 2 the forecast position remains balanced.

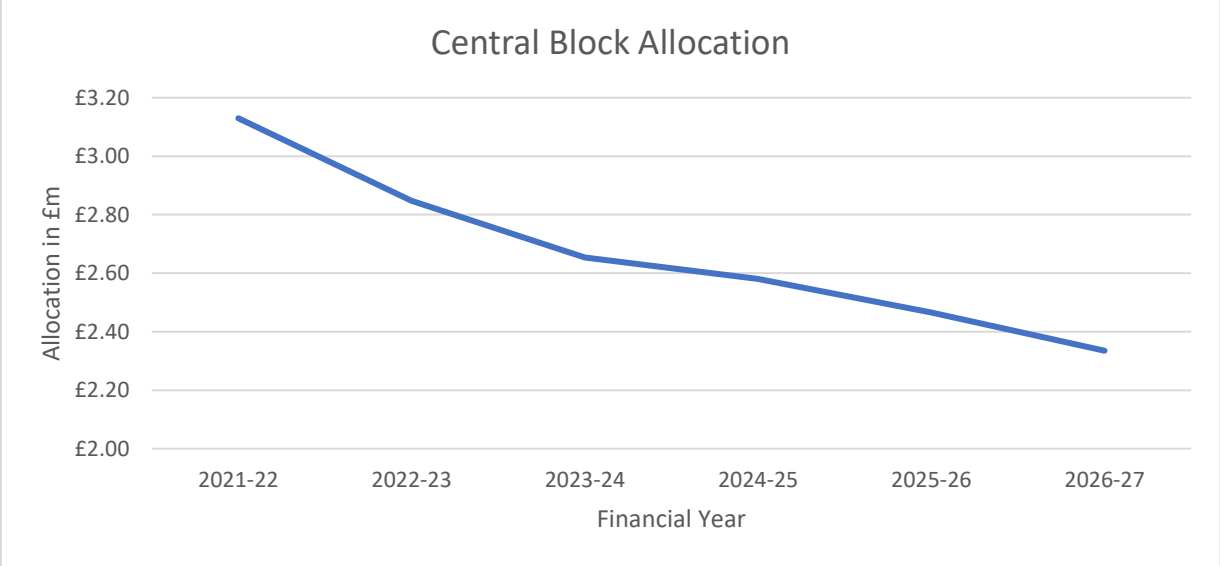
The schools block funding includes an element of notional SEN funding – for Derby in 26-27 the notional SEN funding included in the main Schools budgets is circa £44.8m.

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.



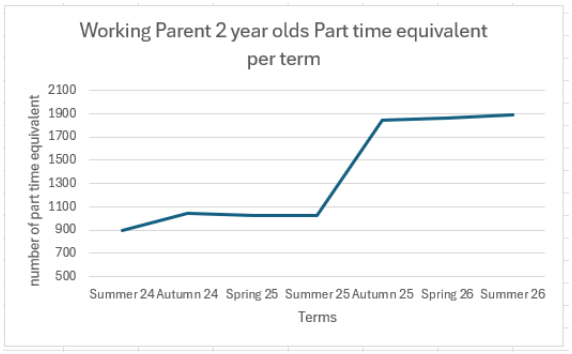
3.7 **Early Years – balanced position**

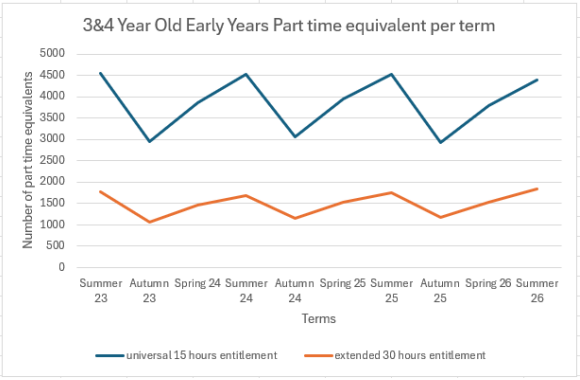
Early Years reported an underspend at quarter 1 of £0.180m, since quarter 1 a plan has been put in place to maximise the DAF funding where possible and to mitigate an emerging pressure due to post census take up - see table below.

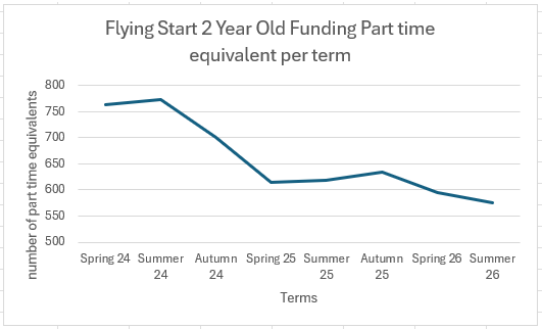
Derby accrued £0.9m at the end of 2025-26 to reflect the anticipated clawback due to lower number take up than what the previous year was budgeted on, that actual figure clawed back by the DfE for 2025-26 is greater by £0.075m. (£0.975m total)

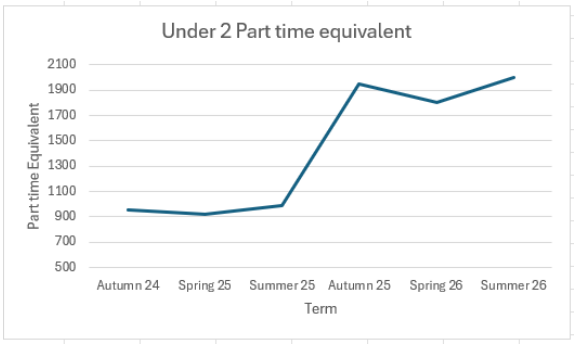
It was agreed at the July School Forum that Derby would operate stretch at a local level and not controlled through payments by the LA. That change is now in place. The cost to the 26-27 financial year, is £0.677m this is one off and not reoccurring and has been funded through the allowable contingency set to ensure the new census count funding methodology is implemented.

The charts below show the take up across the age ranges up to Summer 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	1.273	0.025
Early Years Pupil Premium across all age ranges	0.855	0.855	0.000
Additional SENIF across all age ranges	0.169	0.141	-0.028
Contingency across all age ranges	0.786	0.995	0.209
Disability Access fund across all age ranges	0.297	0.141	-0.156
Total Requirement	**47.917**	**47.737**	**0.000**

The Early Years budget includes a post-census funding contingency to reflect potential changes in funded child numbers and related grant allocations during the financial year. This contingency is designed to mitigate budget pressures arising from fluctuations in demand. Derby allocated £0.25m for this. Following the first census, the forecast indicates that the entire contingency will be required. The resulting pressure of £0.209m against the overall contingency comprises £0.075m relating to prior years' clawback pressure, as noted above, and £0.134m arising from the cost of ceasing the stretch payment process within the 3- and 4-year-old provision, which exceeded the budget.

The table below demonstrates the actual post census Part Time Equivalents for Summer and forecasts for Autumn and Spring.

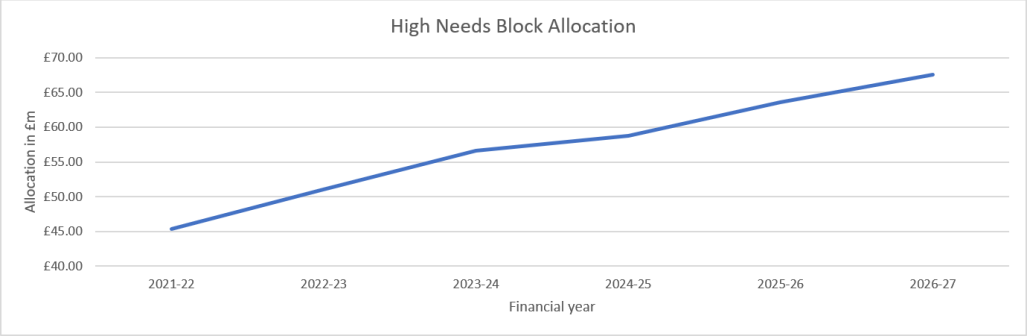
Post Census PTE to be funded from Contingencies

	Summer Actual	Forecast Autumn	Forecast Spring
3& 4 Year olds	- 3.38	-	-
2 Year olds	19.87	25.00	25.00
under 2's	31.40	15.00	15.00
Total	**47.90**	**40.00**	**40.00**

3.8 High Needs Block

The High needs block funding allocation for 26-27 is **£69.238m** (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 or inflation increases, the HNB was based on 25-26 allocations in essence a 'cash flat' announcement.



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	67.844	0.579	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**	**69.238**	**0.579**	
	Requirement				
2.757	Staffing and Contingency	4.141	3.313	-0.828	This covers direct support to school to implement SEND Support, training and events. The underspend has increased since quarter 1 by £0.579m due to school exclusions funds included, previously shown under alternative provision of (£0.260) and a reduction in the forecast staff costs.
4.127	Other LA special and other LA mainstream	3.500	4.380	0.880	This pressure is due to an Increase in pupil numbers, and an increase in complexity for pupils in special schools. This forecast has increased by £0.380m since quarter 1 and is capturing the new intake for September.
13.006	Independent Special Schools including post 16	10.164	10.268	0.103	The forecast has reduced by £0.732m since quarter 1. 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	10.240	1.792	The forecast has increased by £0.660m since quarter 1. The increase in young people accessing further education. Reduction in NEET resulting in more pupils returning to education
23.603	Special Schools including post 16	31.518	29.264	-2.254	The increased sufficiency in special schools reducing the INMSS intake. Increase in band funding for one special school from September 2026 so they are in line with the other schools. Following the September adjustments the forecast costs have increased by £0.778m since quarter 1.
4.336	Enhanced Resource settings	4.254	4.593	0.339	Forecast costs have increased by £0.339 since quarter 1 due to the September intake changes. Forecast includes increase in numbers of children remaining in local provision with enhanced resources. Reducing the number moving into out of LA or INMSS
2.056	Alternative Provision	3.438	3.529	0.091	The increase in exclusions in 2025/6 will be addressed through the new reforms and more young people returning back to mainstream in 2026/7 and 2027/8. The forecasted Alternative provision costs have increased since quarter 1 by £0.251m due to a movement of £0.260

					funding to staffing and contingency for exclusion
0.240	Hospital Medical Tuition	0.125	0.125	0.000	
13.213	Mainstream and Academy - E3 including post 16	11.636	12.040	0.404	This pressure is due to a predicted increase in mainstream placements in line with the SEND reforms. The forecast has reduced by £0.763m since quarter 1 following confirmation of September placements.
0.191	Education otherwise than at school (EOTAS)	0.951	0.491	-0.461	A forecast reduction of £0.543m from quarter 1 due to more children remaining in school.
0.445	Early Years inclusion fund	0.45	0.450	0.000	
72.815	**Total Requirement**	**78.625**	**78.693**	**0.068**	
7.859	**In-year planned deficit**	**-9.966**	**-9.455**	**-0.511**	

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	(32.729)	Deficit forecast

Total in year deficit at quarter 2 for 26-27 is forecast to be £9.455m.

This will bring the cumulative deficit at the end of 2026-27 to £32.729m

5.1 **SEND and Inclusion Reform 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.

The Local SEND Reform Plan for Derby sets out a whole-city, locality-based inclusion model to ensure children and young people with SEND receive the right support at the right time, in the right place. It is underpinned by strong co-production with families, an Inclusion Charter, and integrated commissioning across education, health and care.

The plan introduces the "**Experts at Hand**" multidisciplinary support offer, strengthens early identification and graduated responses in mainstream settings, and aligns specialist and alternative provision within clear locality and cluster arrangements.

This grant provides funding for local authorities to work in partnership with Integrated Care Boards (ICBs) to develop and deliver a new EaH offer for mainstream education settings. This new offer is designed to strengthen the capability of mainstream education settings to meet the needs of children and young people with SEND more effectively and inclusively, by providing a new route to access expert advice and support from education and health professionals. The EAH will be central to supporting schools to deliver the expectations on maintaining children in local provision and meeting needs earlier, without the need to escalate to an EHCP or into pupil referral units.

Derby's allocation is £2,379m with expectation that funds must be spent by September 2027. Any unspent funds at the end of the 26-27 financial year will be carried forward to the following financial year. At least 80% of funding must be spent on EaH direct delivery for all settings. No more than 10% of funding can be spent on admin costs for delivering the EaH and no more than 10% of funding can be spent on local authority transformation costs, including staff or other associated costs. The current plan is fully maximising the grant as per the grant terms and conditions The returns to the DFE must include details on how the impact of the reforms is impacting on or mitigating forecast deficits.

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