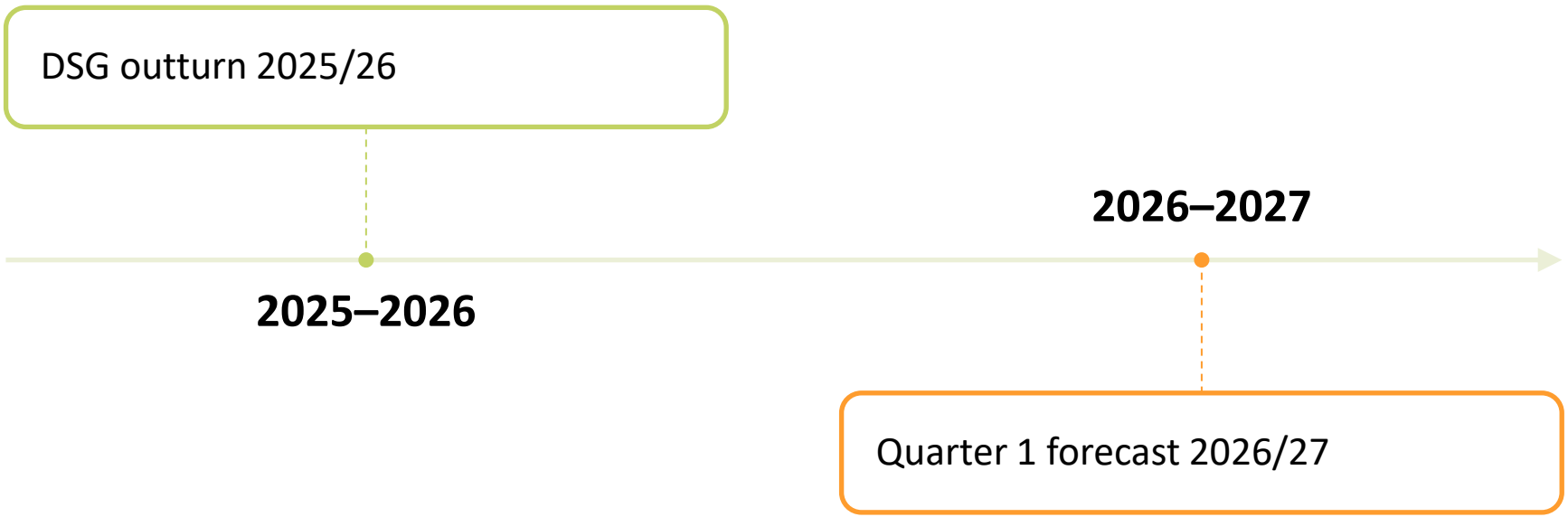
Finance Papers



DSG Outturn 25-26

The 2025-26 DSG allocation is £375.241m.

Outturn in-year deficit £7.085m, a reduction from the Quarter 3 forecast in-year deficit of £7.8m (original budget set £6.56m deficit)

Main variances due to Early Years Block underspend £0.636m offsetting increased deficit of £7.859m in High Needs Block.

Cumulative DSG deficit position of £23.274m

High needs deficit estimated treasury cost pressure to LA of £2m.

LA Maintained school's total surplus balances £9.284m

Five Derby Maintained schools reported a deficit position all were already part of a planned deficit recovery.

Schools Block allocation £266.755m

➢ Underspend (£0.145m)

- Due to reduction in growth funding and the revaluation of school premises nondomestic 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 and offset the deficit reserve.

- **The schools block funding includes an element of notional SEN funding – for Derby in 2025/26 the notional SEN funding included in the main Schools budgets is circa £41m**

Central Block allocation £2.465m

- **Balanced Position**
- Due to annual reduction in the allocation this funding is a contribution to ongoing costs.
- Central Services Block continues to support historic commitments.

Early Years Block allocation £42.440m

- **Underspend (£0.636m)**
- Early years underspend is due to:-

- 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

High Needs Block allocation £63.58m

- **Year End Deficit £7.859m**
  (Increase from quarter 3 of £0.434m)

- **Budgeted deficit £6.56.**
- **Main variances from budget**
  - **Post 16 placements £1.332 pressure – increased students at Derby College and DCC FE provision (Transition 2 & DALS)**
  - **Maintained schools Element 3 £1.213m pressure – increased funded EHCP plans from 749 at the start of the year to circa 1300 at the end of the year.**
  - **Other LA schools £0.527m pressure due to increased number of placements in a Derbyshire County Special school.**
  - **Staffing & contingency underspend £1.633 – partially offsetting the pressures.**

Reserves Position

- Cumulative deficit at the end of 2025/26 to £23.274m.

- The government's extension of the DSG statutory override for a core of period of 3 years(up to March 2026) has now been extended to April 2028

- The government has pledged to cover 90% of historic Send deficits accrued up to the end of 2025-26.

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

Dedicated Schools Grant – Maintained schools

- 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%).

- Five 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.

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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,

School in Financial difficulties pool was applied to one maintained school Wren Park.

Dedicated Schools Grant 2026–27: Q1 Overview



Ring-fenced grant: underspends/overspends carried forward into next year's budget setting



Report covers Q1 2026–27 and forecasts to 31 March 2027



Overall Q1 forecast:

In-year HNB deficit: £9.973m

Forecast cumulative DSG deficit at 31 March 2027: £33.247m



Overall position is in line with the budget set in February 2026

DSG 2026–27: Allocation and Structure

Total DSG allocation 2026–27: £396.603m

- Schools Block: £278.787m
  - Includes Mainstream Schools Additional Grant (£8m) and NNDR (£1.721m)
- High Needs Block: £67.544m
  - Includes core school budget grant (£3.87m) and other grants (£0.094m)
- Early Years Block: £47.917m
- Central Schools Services Block (CSSB): £2.355m

DSG remains split across four funding blocks aligned to statutory responsibilities

Schools Block and Central Block

- **Schools Block - £278.787m**
  - Distributed to mainstream schools through the funding formula
  - Recoupment for academies actioned by the DfE; Derby retains maintained school budgets
  - Q1 2026–27: reporting a balanced position
  - Notional SEN within school budgets: circa £44.8m
- **Central Schools Services Block (CSSB) - £2.355m**
  - Q1 2026–27: reporting a balanced position
  - Contributes to the centrally retained services
  - 2026–27 allocation £2.355m (reduction of £0.110m from previous year)
  - Ongoing grant reductions have been offset by support from the Council's general fund

Early Years Block - £47.916m

Quarter 1: initial forecast is small underspend £0.180m against the DAF all other areas are balanced against the budget set – this will be refreshed after the first census count.

New termly census for all age ranges now in operation

£0.9m accrued at end of 2025–26 for expected clawback due to lower take-up

New contingency budgets to cover take-up after census dates

Proposal to move to paying providers on census count, with stretch offers managed locally

High Needs Block - £68.938m

Overview 2026–27 allocation: £67.544m plus £1.394m transfer from Schools Block

In-year planned deficit: £9.973m (in line with budget)

High Needs Block: Forecast and Key Pressures

High Needs in-year deficit drives the overall DSG deficit

Key forecast movements (selected lines):

- Other LA special/mainstream placements: +£0.500m
- Independent special schools (incl. post-16): +£0.836m
- Further Education providers: +£1.132m
- Mainstream and academy top-ups (E3 incl. post-16): +£1.167m

Total High Needs requirement forecast: £78.911m

High Needs base allocation increase largely due to mainstreaming of grants, not volume growth

DSG Reserves, SEND Reform and Next Steps

DSG reserve position (cumulative): - Forecast £33.247m

High Needs Stability Grant (from 2026–27):

- Up to 90% of High Needs-related DSG deficit accrued to end of 2025–26
- Payment conditional on approval of local area's Local SEND Reform Plan

Future support (deficits arising 2026–27 and 2027–28):

- Will depend on successful delivery of the approved SEND Reform Plan
- Includes appropriate use of investment to establish an "Experts at Hand" offer

Schools Forum is asked to:

- Note the Q1 in-year DSG deficit of £9.973m
- Note the forecast cumulative DSG deficit of £33.247m and the importance of the SEND Reform Plan in securing future support

Announcements 26/26

- From September 2026, teachers and leaders will receive a pay award of 3.5%, followed by a further 3.0% increase from September 2027.
- The DFE advises that schools and trusts are to absorb on average approximately the first 1% of staff pay awards in both 2026-27 and 2027-28 through implementing plans to realise and sustain better value from their existing spend.
- Nationally £700 million additional funding in 2026-27 and £1,115 million in 2027-28, on top of the funding already provided in existing budgets.
- Further information for schools on the methodology, conditions of grant and per-pupil rates for the additional funding in respect of pay in 2026/27, as well as a calculator tool, will be published shortly.
- The overall design and distribution will reflect previous pay grants.
- Separately but related to wider school funding, as a result of the valuation of the teachers pensions scheme (employer contributions will decrease from 28.6% to 17.6%),
- Funding will be reduced nationally from 2027-28. This is happening across all public sector pension schemes. The funding changes will reflect the reduced cost and thus be cost neutral for public sector employers at national level.
- Detail will be published on the 2027-28 additional funding for pay and pensions funding adjustments shortly – such that schools and colleges have a clear understanding of how the additional funding and pensions reductions interact.

Free School Meals (FSM) from September 2026. Free school meals - Derby City Council

Changes will affect eligibility, funding assumptions, local processes and operational planning for schools.

Expansion of eligibility –

All pupils in households receiving Universal Credit will become eligible for FSM from September 2026. including setting funded from School Block, High Needs Block and Early Years Block. School Block will see changes, Early Years and Special schools identified by the DfE will benefit for the first time.

End of transitional protection – school block only

Current transitional protections will remain in place until the end of the 2025/26 academic year. From September 2026, transitional protections will end and eligibility will be determined by a pupil's current household circumstances. This means some pupils currently protected may no longer qualify unless they meet the new eligibility rules at the point of checking.

New FSM categories

From September 2026 there will be two benefits-based FSM categories: **Targeted FSM** for lower-income families linked to Pupil Premium, and **Expanded FSM** for other households receiving Universal Credit who will receive a free meal only. **Not** all newly eligible pupils will attract Pupil Premium funding.

Ongoing eligibility checks

Once transitional protections end DfE will introduce an annual eligibility review.

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Free School Meals (FSM) from September 2026. Free school meals - Derby City Council

26-27 number of pupils recorded for school block formula 40,628
26-27 School Block funding £274.757m

Currently there are 15,239 pupil receiving FSM as per the school funding formula. 37% of total pupils
Currently there are 15,946 pupils triggering Ever6 as per the 26-27 school funding formula

Cost of that factor is £7.696m 2.8% of total school block
Cost of ever6 factor is £22.992m 8.4% of total school block

To consider
What will be the number of targets once protection is removed
What impact will that have on the ever6?
What impact will that have on pupil premium?
What impact will that have on notional SEN?
Which providers will qualify for the EY and HNB new introduction?

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Inclusive Mainstream fund 2026 to 2027 allocations

Derby Maintained school total allocation is £580,273 .

Derby Academies school total allocation is £1,563,048.

The base funding rates for the 2026 to 2027 financial year are:

- a lump sum of £3,000 per school
- for primary school pupils, a rate of £16 for all pupils (including pupils in reception) and an LPA per-pupil rate of £79 per eligible pupil
- for secondary school pupils, a rate of £14 for all pupils up to the age of 16, and an LPA per-pupil rate of £88 per eligible pupil
- pupils in middle school or all-through schools will be funded at the appropriate rate according to their age

Derby City Council