Herefordshire Council

Supplement to the agenda for

Scrutiny Management Board

Monday 6 July 2026

9.30 am

Conference Room 1 - Herefordshire Council, Plough Lane Offices, Hereford, HR4 0LE

Herefordshire Council

Title of report: Dedicated Schools Grant Deficit Management Plan

Meeting: Scrutiny Management Board

Meeting date: 6 July 2026

Report by: Director of Education, Skills and Learning

Classification

Open

Report Purpose

To provide Scrutiny Management Board with an overview of Herefordshire Council's Dedicated Schools Grant (DSG) deficit position, progress against the Deficit Management Plan, and alignment with the Local SEND Reform Plan (March 2026).

Background

1. The council continues to manage a significant DSG deficit, driven primarily by sustained demand and cost pressures within the High Needs Block.
2. A structured Deficit Management Plan (DMP) is in place, supported by a detailed actions tracker and governance through programme oversight.
3. The Local SEND Reform Plan (March 2026) forms a critical pillar of recovery, focusing on system-wide transformation rather than short-term cost containment.
4. While progress is being made in improving inclusion, strengthening early intervention, and increasing local provision, financial recovery remains medium to long term.
5. Delivery risks remain significant, particularly around: rising EHCP demand, placement sufficiency, and national funding uncertainty.

Meeting objectives

6. That Scrutiny Management Board receives the update on the Deficit Management Plan, its alignment with the Local SEND Reform Plan and make recommendations or suggested actions in connection with this report.

Further information on the subject of this report is available from
Simon Cann, Tel: 01432 260667, email: Simon.Cann@herefordshire.gov.ukl

Context

7. The growth of children with SEND sees no signs of slowing. The increase since 2023 is 58.7%. the growth in the last 12 months was 18.7%. For context, within Herefordshire at January 2026, 5.7% of the total school population had an Education, Health and Care (EHC) plan. This is an increase of 0.8% over the last 12 months, but is in line with the national average indicating that Herefordshrie continues to mainstian appropriate thresholds.

8. Of the children with an EHC Plan, 1254 (61.5%) are educated in a mainstream school, nursery or college, 324 (15.9%) are educated in a local authority special school (maintained or academy) and 332 (16.3%) are educated other than at school, awaiting a school or attending an independent school.

Current DSG Deficit Position

9. The DSG deficit reflects structural imbalance between funding and demand: The primary cost pressures include growth in Education, Health and Care Plans (EHCPs); increased complexity of need; and high reliance on independent and out-of-county placements.

10. The deficit continues to accumulate annually, despite mitigation actions, indicating that cost containment alone is insufficient.

11. In advance of SEND reform, the Government introduced the Safety Valve scheme in 2020/21 giving targeted additional funding alongside stringent action plans and targets for those councils with the highest deficits. 38 councils were included in the Safety Valve scheme until it finished in 2023/24; Herefordshire Council was not part of the programme. Those councils who did attract funding under this scheme now find themselves in a deficit position again, suggesting that the overspend issues are not down to inefficiencies or leadership issues in individual local authorities but to more fundamental system-wide issues.

Cumulative DSG Deficit and the High Needs Stability Grant

12. The cumulative forecast deficit on the High Needs Block at the end of 2025/26 is currently £36.3 million, which is analysed as follows:

DSG Deficit	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Outturn	1.1	5.0	13.8	16.4
Cumulative DSG Deficit Balance	**1.1**	**6.1**	**19.9**	**36.3**

13. The cumulative DSG deficit is accounted for as an unusable reserve on the Council's balance sheet, as permitted via statutory instrument, which will remain in place until 31 March 2028. This enables all local authorities to ring-fence the DSG deficit from the overall financial position in the statutory accounts.

14. The DfE announced on 23 February 2026 that local authorities would receive funding via a new High Needs Stability Grant (HNSG) to offset 90% of its historic DSG deficits up to and including the 31 March 2026. This would equate to £32.7 million based on the Q4 outturn position. Councils will then have to fund the remaining 10% from its Earmarked Reserves, which would equate to £3.6m.

15. However, allocations of the High Needs Stability Grant will only be paid once a local authority has developed and submitted to the DfE a Local SEND reform plan which is then approved as meeting the required criteria. Herefordshire Council submitted its SEND reform plan on 19 June 2026 in line with the deadline and await final feedback from the DfE. If the plan meets the DfE requirements on first assessment, HNSG funding is expected to be paid sometime during autumn 2026.

Funding Implications

16. The issue of growing High Needs demand can be traced back to 2014, when reforms increased the amount of support available to children and young people with SEND – something that was widely acknowledged as needed. The 2011 green paper that kicked off the reforms describes “a system where parents feel they have to battle for the support they need, where they are passed from pillar to post, and where bureaucracy and frustration face them at every step”. But variable levels of inclusivity in mainstream schools nationally and limited capacity in state special schools meant the state school system could not absorb all the rapidly increasing demand. This has led to widespread use of independent provision – funded by local authorities, at a cost far greater than that of a place in a state school. In Herefordshire our local special schools are at capacity, and we have 332 children in independent provision, 261 of which could be educated in our special schools if there was available space.

17. Whilst there is uncertainty of future funding levels, significant pressures on expenditure within the High Needs Block remain, of which the key factor is increased demand and complexity of need in Special Educational Needs and Disabilities (SEND), as well as a combination of complex factors which include: a low inflationary increase to mainstream school funding; a range of factors putting pressure on school budgets; and historic underfunding of the High Needs block. These factors along with a lack of sufficient appropriate state funded places are driving a higher use of more expensive Independent Non-Maintained School (INMS) provision.

The Deficit Management Plan

18. The following sections outline the actions being taken within existing resources, the actions requiring additional resource to implement, and the areas where further policy decisions will be needed.

19. The key actions in this Management Plan are grouped into four workstreams:

    a. Intervention First

    b. Managing demand

    c. Increasing the sufficiency of local places

    d. Financial management adjustments

20. These workstreams are also replicated in the SEND Action Plan and SEND Reform Plan and reported into broader governance via the SEND Action Plan’s leadership workstream. Regular updates are presented to Budget Working Group and Schools Forum.

21. The delivery of the Capital Programme including the development of a stronger and more extensive alternative provision in Herefordshire will be fundamental in managing costs moving forward. Service sufficiency planning will also play a key role in supporting the development of inclusion bases in secondary schools (SEND reform) and specialist places including the development of additional special school capacity.

22. A SWAP audit completed in 2025/26 identified that good governance in place around the spending of the DSG for those children that have high needs. Sample testing confirmed that

there are robust processes in place regarding the placement of children with high needs. The Council is facing challenges due to the increase in demand; however, the audit has demonstrated the Council is active in addressing these issues. Examples of this include:

a. Opening resource base provisioning to reflect the trends and challenges,

b. Use of the high needs capital grant strategically to create additional spaces (65 extra spaces in the last 18 months) which is all bringing down the high needs spend.

Consultees

23. None

Appendices

24. Appendix A - The Deficit Management Plan

Background papers and resources

25. ‘None identified

Herefordshire Council

DSG Deficit Management Plan

Since our High Needs expenditure within Herefordshire is largely driven by the number of pupils with an EHCP, as numbers have increased so too has expenditure. Unfortunately, our High Needs DSG funding has not increased at the same rate and as a result the Council's DSG reserve went into deficit for the first time at the end of 2019/20 and has continued to grow each year since. At the end of 2025/26 this deficit stood at £36.3 million.

Context

The purpose of the management plan as per the DfE guidance is to:

- Comply with DSG conditions of grant.
- Monitor how DSG High Needs funding is being spent and compare data on High Needs spend with other local authorities.
- Highlight areas where the Council will review spending to improve future strategic plans for the provision of children and young people with special education needs and disabilities.
- To provide assurances that the Council is achieving value for money from their DSG spend and are fully cognisant of and capture all the potential operational and financial risks.
- Maintain engagement with stakeholders through strong and collaborative governance arrangements with school leaders and Schools Forum.

Background

The DfE uses a special template that contains comparative data on special provision and placements, Section 251 budget and outturn data and High Needs National Funding Formula illustrative allocations The Council completes most of this template, while making the document work for our needs. Recently the Deficit Management Plan has been reviewed in line with the requirements of the Local SEND Reform Plan, which was submitted for DfE consideration on 19 June 2026. The information reported within this document is reported regularly to Budget Working Group and Schools Forum. We hold regular joint meetings between the service and finance colleagues to review the details of the plan; it's impact on the in-year outturn and progress of planned actions. This will also assist in the quarterly monitoring of the SEND Reform Plan data return to the DfE, as part of the High Needs Stability Grant assurance.

Local Context

- June 2025: In line with national trends, Herefordshire is feeling acute pressure on their High Needs Budget.
- Despite increases in specialist provision being commissioned over the past few years more children and young people are being placed in the independent and non-maintained special schools at high cost.
- Total Independent costs have risen from £427k in 2017/18 to £14.9 million at the end of the financial year 2025/26.

- There are a number of assumptions which underly the current forecasts, as follows:
    - The number of CYP in the overall school age population remains the same (i.e. there are no significant changes in overall numbers of school age children anticipated over this period due to falling/rising rolls)
    - The percentage of CYP with EHCPs will rise assuming the same trend as experienced historically
    - The percentage of CYP with different types of primary need will remain the same as the historic trend
    - The percentage of CYP with EHCPs requiring specialist provision will remain the same as the historic trend.

DSG Deficit Management Plan Actions

The key actions in this Management Plan are grouped into four workstreams:

1. Intervention First
2. Managing demand
3. Increasing the sufficiency of local places
4. Financial management adjustments

These workstreams are also replicated in the SEND Action Plan and reported into broader governance via the SEND Action Plan's leadership workstream.

Details of cost avoidance of the Deficit Management Plan mitigating strategies are reflected in the table below, which equate to around £13.7m of savings per annum.

1. Intervention First

Actions	Timescales	Responsible Officer/Team
1.1 A commissioning review is driving new ways of working to support children and families, to ensure that mediation and alternative provision are purchase through a framework. This will drive efficiencies, for example reducing spot purchasing costs.	March 26	Lizzie Birrell - Commissioning
1.2 Intervention pathway (Harvest Project) from Hereford Pupil Referral Service offered which will be time limited and with a school contribution made toward the cost of intervention.	Sept 25	Hilary Jones
1.3 Short-term and long-term commissioned places to support pupils with SEMH (High Needs). KS1 = 12 places short-term and 6 long-term. KS2 = 16 short-term and 6 long-term.	KS2 – Sept 25 KS1 – Jan 26	Hilary Jones and Jane Morse
1.4 Increase the reach of SENCO forum network to share good practice, promote support for children and young people within the mainstream schools and timely identification of need.	December 2025	Pam Howell/Sian Alderton

1.5 Develop the SEND Outreach and Inclusion offer with Special Schools, Specialist Teachers and Education Psychology services, Education Inclusion Advisors, and mainstream resource bases to set up support offer for staff in mainstream schools and reduce the need for specialist placements.		
1.6 Training to improve the capacity of schools to meet pupils' needs at an earlier stage. This includes PINS training, classroom teacher 'expert' training, SENCo support and training.	January 26	Hilary Jones
1.7 Quality Assurance cycle of the delivery of Section F of an EHC plan in schools and settings, to support professionals in delivering high quality support.	Ongoing and underway	Head of Education, Learning and Skills - LT
1.8 Develop graduated approach toolkits to support practitioners in all key stages and for all types of primary need.	March 26	Inclusion Advisors
1.9 Developing stronger transition pathways – supporting schools to receive pupils who have a variety of needs into the start of a new key stage.	March 26	Inclusion Advisors

2. Managing Demand

The focus of this workstream is to enable improved outcomes by meeting needs and improving outcomes earlier, avoiding the need for some children to have EHCPs. The underlying evidence showed a post pandemic increase in mental health and wellbeing issues, including diagnosis for ASD/ADHD and CAMHs referrals in 2–10-year-olds.

Actions	Timescales	Responsible Officer
2.1 Implement and develop the new graduated approach toolkit, supporting early identification and intervention strategies to improve outcomes for children and young people and reduce the likelihood that a child or young person will require a specialist placement as they grow older	March 26	Inclusion Advisors
2.2 Review of commissioning of places in the Pupil Referral Service	June 25	Louise Tanner – Head of Learning and Achievement
2.3 Review of commissioning of places in Educated Other than at School Arrangements. An analysis by age, gender reason for EOTAS provision, length of time out of school and numbers awaiting placement or in receipt of bespoke packages (and the cost of those packages) should be included.	December 25	Micelle Giampalma – Service Manager
2.4 Market testing exercise of commissioned services will be used to identify efficiencies, for example more cost-effective home tuition services.	July 26	Louise Tanner – Head of Learning and Achievement Commissioning – Jane Morse
2.5 A new delivery model for HPRS: Establish an Alternative Provision Specialist Taskforce. Taskforces are teams of co-located specialists based onsite within schools, undertaking integrated, child-centred work with pupils, responsively information-sharing, as well as sharing their expertise and embedding their practice within the whole school. Additionally, create a space for a small locality team (early help / social care) to be located in the school with an office and meeting room.	September 26	Louise Tanner – Head of Learning and Achievement
2.6 Alternative Provision and Support for Inclusion - Continue to support schools to be inclusive and manage increase in permanent exclusions. A new delivery model for HPRS. The proposed model will provide an outreach element with the intention of enabling children to remain in their local school where this is appropriate.	September 26	Louise Tanner – Head of Learning and Achievement
2.7 Establish a whole ‘specialist teacher’ team (4 staff) covering the 4 areas of need. Team of practitioners who support and aid set up of school run provisions (SEND hubs). Team model the running of it, then step away	April 26	Hilary Jones – Head of Additional Needs Sarah Filby - SEMH Inclusion Service Team Leader

leaving the school with the skills and confidence to run it successfully internally. This team provide workshops promoting the benefits. School then to receive hands on support to set up the provision and the team would run the provision (for a set period of time) alongside school staff ensuring everything was in place before they step away, providing regular drop ins and support.		

3. Improving sufficiency of local places

Local authority data indicates an increase in the number of Independent Non-Maintained Special Schools (INMSS) placements from 52 in 2020 to 231 in May 2026. Many of these placements are driven by a lack of capacity in local provision rather than necessity (for example where we are ordered by a tribunal court to place a child in INMSS).

Actions	Timescales	Responsible Officer	Updates
3.1 Extend specialist places for primary for SLCN and ASD: Expansion of Hampton Dene LCC to provide 16 additional spaces for KS1 and KS 2 for SLCN and ASD.	February 26	High Needs Capital Grant Board	• 20/3/25: Due to a delay in the planning application going live, the programme has moved. Additional school places and construction to be completed by February half term 2026.
3.2 Extend SEMH places: Expansion of Brookfield SEMH Special School to provide two additional classrooms and sports hall. Business case to keep Arrow Group at Symonds Street, will create additional capacity 16 places,	Completion January 26	Service Director LF Education Development Lead – QM Hilary Jones – Head of Additional Needs	• 2022, Westfield School accepted on to DFE rebuilding programme • March 25 – meeting on site with DFE officials. April 27, feasibility start (one year) now likely to be earlier.
3.3 Rebuilding and Expansion of Westfield Special School to provide new accommodation for pupils, with an estimated additional 30 new places. 10 Places from September 2029, a further 10 places from September 2030 & a further 10 places from September 31. **Financial Impact: 30 places would achieve a yearly saving of £1.68m once all 30 places are filled. Removal of Independent places at £56k per place.**	September 2029 - 2031	Service Director LF Education Development Lead – QM	
3.4 Create MLD specialist provision: Ryfield Centre – up to 40 places for 5-16 yrs MLD and associated difficulties e.g. SEMH/ASD. 25 Places from September 2027 and a further 15 places from September 2028	September 2027 - 2028	Education Development Lead – QM Hilary Jones – head of Additional Needs	

Financial Impact: 40 places would achieve a yearly saving of £2.24m once all 40 places are filled. Removal of Independent places at 56K per place.			
3.5 Relocation and expansion of Hereford Pupil Referral Service: Develop Tier 2 model - short-term placements in alternative provision to assess support pupil's needs to help them return and remain their mainstream school). HPRS offer a total of 64 places across two centres, 24 KS3 and 40 KS4. New site to provide 100 KS3/4 places, an additional 36 new places. **Financial Impact: 36 places would achieve a yearly saving of £2.016m once all 36 places are filled. Removal of Independent places at 56K per place.** Expand age range of HPRS to include KS1/2. Vacating of St Davids site to create a small KS1 and KS2 registered alternative provision. 30 Places from September 2028. **Financial Impact: 30 places would achieve a yearly saving of £1.68m once all 30 places are filled. Removal of Independent places at 56K per place.**	September 2028 - 2029	Education Development Lead – QM Hilary Jones – head of Additional Needs	
3.6 Extend the AP pathway to pupils and reduce the number of bespoke packages. Develop a site for an outstanding provider e.g. Continue to deliver a richer AP offer. 75 Places from September 2028 & a further 25 places from September 2029.	September 2028 - 2029	Louise Tanner – Head of Learning	

Financial Impact: 100 places would achieve a yearly saving of £5.6m once all 100 places are filled. Removal of Independent places at 56K per place.			
3.7 Extend autism provision: Resource Based Provision – autism base Aylestone. Increase 16 places in September 25 for KS3/4 for ASD and a further 8 places from September 2027. **Financial Impact: 8 places would achieve a yearly saving of £0.448m once all 8 places are filled. Removal of Independent places at 56K per place.**	September 2027	Education Development Lead – QM Hilary Jones – head of Additional Needs	
3.8 Extend SEMH provision: Resource Based Provision – SEMH base, Trinity Primary School, 8 places September 25 KS1/2, 16 places KS1/2 Sept 26 (16 in total)	September 2026	Education Development Lead – QM Hilary Jones – head of Additional Needs	

4 Financial management workstream

Actions	Timescales	Responsible Officer	Updates
4.1 Deep dive into each area of spend to identify efficiencies	Ongoing	DSG Monthly Governance Group	The group has been driving forward the SEN Reform Plan as the new focus of this governance group, establishing it as the central strategic priority.
4.2 Review administrative charges to other local authorities for out of county pupils in Herefordshire	Ongoing	Hilary Jones and Finance colleagues	
4.3 Review of commissioning arrangements that would achieve projected cost avoidance	Ongoing	Jon Wade and Jane Morse	
4.4 Launch a new strategic commissioning framework for Alternative Provision in September 2025	Ongoing	Jon Wade and Jane Morse	
4.5 Post 16 – FE College Placements - Review post 16 expenditure to ensure greater efficiency with mainstream college providers. Close partnership working with colleges to support them to recognise how they can achieve greater efficiency whilst maintaining high standards and better aligning post 16 college funding with how schools are funded.	Ongoing	Service Director LF Education Development Lead - QM	
4.6 Carry out an annual demand profile in July/August each year to analyse the current provision deficit and to track the actual position against the projected position.	Quarterly	DSG Monthly Governance Group	This activity is a critical component of the organisation's quarterly budget monitoring oversight, serving as a key mechanism for ensuring financial accountability, strategic alignment, and informed decision-making.