Title of report: Dedicated Schools Grant 2025/26 Quarter 4 Outturn

Meeting: Herefordshire Schools Forum

Meeting date: Friday 10 July 2026

Report by: Head of Strategic Finance (Deputy S151)

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To provide an update to the Schools Forum on the Dedicated Schools Grant (DSG) draft final outturn position for the financial year ending 31 March 2026 (Quarter 4).

Recommendation(s)

That:

a) **Schools Forum note the draft final Quarter 4 outturn position of the Dedicated Schools Grant (DSG) for 2025/26.**

Further information on the subject of this report is available from
Stacey Carter, Head of Strategic Finance (Deputy S151), email: stacey.carter@herefordshire.gov.uk

Key considerations

1. Herefordshire's Dedicated Schools Grant (DSG) allocation for 2025/26 was as follows:

Block	**Gross Allocation £m**	**Recoupment £m**	**NNDR Adjustment £m**	**Net Allocation £m**
Schools Block	138.166	(71.797)	(1.306)	65.063
Central Block	0.934	-	-	0.934
High Needs Block	28.786	(5.254)	-	23.532
Early Years Block	23.893	-	-	23.893
DSG Allocation 2025/26	**191.779**	**(77.051)**	**(1.306)**	**113.422**

2. The DSG allocation is as per the latest published allocations in March 2026. This reflects the Early Years funding adjustments, 2025/26 import/export adjustments in the High Needs Block and a £0.2 million recoupment adjustment in the Schools Block for academy conversions.

3. The forecast deficit on the High Needs Block at the time of 2025/26 budget setting was £20 million. As at Quarter 4, the year end position is an overspend of £16.4 million, which relates to the pressures on the High Needs Block. The below table shows the Quarter 4 outturn by block:

Block	**Budget £m**	**Outturn £m**	**Variance £m**
Schools Block	65.063	65.048	(0.015)
Central Block	0.934	0.924	(0.010)
High Needs Block	23.532	41.024	17.492
Early Years Block	23.893	22.818	(1.075)
Total DSG 2025/26	**113.422**	**129.814**	**16.393**

4. The main reasons for the reduction in overall overspend on the DSG of £3.6 million compared to the expected in-year deficit at the start of the year is because of reduced complex needs placements of £1.1 million, independent placements and alternative education provisions average cost being lower than estimated in the budget, and a slowing down of demand in the final quarter of the financial year. This is offset by increased top up payments for pupils in mainstream, special, pupil referral units and post 16 provision.

5. There was also £1.1 million underspend on the Early Years Block which relates to the timing of spring and summer term 2025 payments due to the Easter holidays. When reporting 2024/25 Early Years outturn to Schools Forum, an overspend was presented and it was noted the corresponding underspend would be realised in 2025/26 financial year, although the value was not known at the time. Due to the lagged funding arrangements on the Early Years Block, final 2025/26 budget allocations will not be confirmed by the Department for Education (DfE) until July 2026, meaning the underspend is still provisional at this stage. Further update will be provided as part of the 2026/27 Q1 outturn report.

6. Two small variances to note on the Schools Block and Central Block of £0.015m & £0.010m respectively. Overall, both Blocks have operated within its approved financial envelope, and the small underspend contributes positively to the wider DSG position.

7. The Schools Block reports a £0.015m underspend, primarily driven by higher-than-anticipated Trade Union facilities traded income, which exceeded the expenditure required to deliver the service. No other material variances were identified across this Block, with expenditure aligned to planned allocations.

8. The Central School Services Block reports a £0.010m underspend for the financial year. This position reflects a combination of favourable and adverse variances across key budget lines. The most significant positive variance is a £40k underspend within the admissions administration budget, driven primarily by higher levels of traded income generated from schools. This additional income exceeded expectations and offset the staffing and operational costs associated with delivering the admissions service, resulting in a net surplus. This favourable position has been partially offset by a £30k overspend on the DfE licences budget. The overspend reflects increased national licence costs set by the Department for Education, which local authorities are required to fund in full and have limited ability to influence.

Cumulative DSG Deficit and the High Needs Stability Grant

9. 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**

10. 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.

11. 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. Council's will then have to fund the remaining 10% from its Earmarked Reserves, which would equate to £3.6m.

12. However, allocations of the HNSG 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.

Community impact

13. Increasingly schools funding is directed by government, and the council can only allocate funding given by government. School governing bodies retain the responsibility to spend the school budget on meeting pupil needs. Schools, colleges and post-16 providers and potentially parents will need to be consulted on any changes to the high needs services.

Environmental Impact

14. This is a consultation with Schools Forum on school funding and will have no direct environmental impacts. School governing bodies and trustees are responsible for deciding on expenditure and they will be encouraged to minimise waste and resource use in line with the Council's Environmental Policy.

Equality duty

15. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.

16. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to – (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

17. In relation to school finance, it is the responsibility of individual governing bodies to commit expenditure according to individual pupil need. Changes in high needs provision will require consultation with users and further advice from legal services will be sought should this be necessary. However, the decisions of the school forum should have regard to this duty and the potential implications of any decisions made.

Resource implications

18. This report relates to the Dedicated Schools Grant (DSG) only.

Legal implications

19. The Schools Forum is a statutory decision making and consultative body constituted in line with the School Standards and Framework Act 1998, and its associated regulations, including the Schools Forum (England) (Coronavirus) (Amendment) Regulations 2020, to enable members of the local school community to work in partnership with Herefordshire Council when making decisions about school funding and finances.

20. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2026.

Risk management

21. Budget Working Group (BWG) reviews all reports and proposals in detail prior to making recommendations to the Schools Forum. This two-stage process helps to ensure greater scrutiny of budget proposals and mitigate against any risks that may be identified. Any identified risks will be monitored and managed by the Children's and Young People directorate jointly with the Schools Forum.

Consultees

22. Budget Working Group (BWG) was consulted on 30 June 2026, who noted the contents of the report.

Appendices

Budget Working Group presentation 30 June 2026.

Background papers

None.

Glossary of terms, abbreviations and acronyms used in this report.

BWG	Budget Working Group (of Schools Forum)
DfE	Department for Education
DSG	Dedicated Schools Grant
HNSG	High Needs Stability Grant
NNDR	National Non-Domestic Rates