



Title of report: Dedicated Schools Grant 2024/25 Outturn, SEN Protection Scheme, and DSG Deficit Management Strategies

Meeting: Herefordshire Schools Forum

Meeting date: Friday 11 July 2025

Report by: Senior Finance Business Partner

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To report the recommendations of the Budget Working Group to Schools Forum regarding the Dedicated Schools Grant (DSG) 2024/25 Outturn, Special Education Needs (SEN) Protection scheme future options, and Dedicated Schools Grant Deficit Management plan strategies.

Recommendation(s)

That the Forum:

- a) **Notes the final Dedicated Schools Grant (DSG) outturn position for 2024/25;**
- b) **Considers the recommendations of the Budget Working Group (BWG) held on 27 June 2025 regarding the SEN Protection scheme;**
- c) **Considers the Dedicated Schools Grant (DSG) Deficit Management Plan service led discussion.**

Alternative options

1. The Budget Working Group (BWG) was consulted on the recommendations as listed above. The Children and Families Act (2014) requires the council to ensure that the needs of pupils are met and the council is required to adhere to the Department for Education's (DfE) prescribed arrangements for school and Local Authority as set out in regulations.
2. The Budget Working Group were consulted re. the SEN Protection scheme from 2026/27 onwards. The Service Director for Education outlined plans for the discontinuation of the SEN Protection scheme from 2026/27 onwards, with associated savings partly contributing to the SEN inclusion pathway (as described below) and the high needs block deficit.

Key considerations

3. The council receives funding for schools and designated central services via the Dedicated Schools Grant (DSG). This is a ring-fenced grant and is allocated by the Department for Education (DfE) in four blocks: Schools, Central School Services, High Needs and Early Years. Allocations are based on the DfE's National Funding Formula (NFF) arrangements. This report considers the DSG 2024/25 final outturn position, as well as how the schools block and high needs block funding will be used in relation to the SEN Protection scheme from 2026/27 onwards. Finally, strategies to manage the high needs block deficit will be considered as part of the DSG Deficit Management Plan completion.
4. The Budget Working Group (BWG) was established to provide an opportunity for officers and schools to consider the ongoing use of Dedicated Schools Grant funding, and to make recommendations to the Herefordshire Schools Forum.

DSG Final Outturn 2024/25

5. The final outturn position for 2024/25 is a deficit of £13.9 million as highlighted in the table below:

DSG Allocation	DSG Funding £'000	DSG Outturn £'000	Variance £'000	Variance %
Schools Block	129,938	129,938	0	0%
Less Block Transfer	(650)	(650)	0	0%
Less recoupment	(63,147)	(63,153)	(6)	0%
Less NNDR	(1,314)	(1,314)	0	0%
Schools Block	64,828	64,821	(6)	0%
High Needs Block	26,817			
Add Block Transfer	877			
Less recoupment	(3,780)			
High Needs	23,914	37,587	13,673	57%
Early Years Block	16,979	17,219	240	1%
Central School Services Block	778	743	(35)	-5%
Net Expenditure	106,499*	120,370	13,871	13%

**Funding as per DfE website 31/3/25 = £106,589k. Funding in table above is £90k lower as we have included a spring adjustment for early years using Jan25 census data (driven by lower 2YO PTE - funding true up will be in Jul25 by DfE).*

On 1st April 2024, the cumulative deficit brought forward was £6.1million. The outturn position for 2024/25 is an overspend of £13.9 million. This increases the council's cumulative DSG deficit to £20.0 million at 31 March 2025.

6. The main drivers of the in year 2024/25 deficit of £13.9 million are as follows:
 - **High needs block outturn** is £13.7 million higher than funding with the main drivers being £6 million independent schools (circa 190 placements at year end), £1.9 million top ups, £6 million budget deficit built into 2024/25 budget (Schools Forum advised of this in Jan24).
 - **Early Years block** outturn is £240k higher than funding driven by a late Easter date (20th April 2025) resulting in higher payments; this will offset in 2025/26 funding.
 - **Central block** outturn £35k less than funding driven by favourability in staff in the admissions cost centre (due to vacancy/delay in hiring).
 - **Schools block** in line with budget.
7. 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 (extended by 2 years on 20th June 2025). This enables all local authorities to ring-fence the DSG deficit from the overall financial position in the statutory accounts. Beyond the period of the statutory override, the expectation is that any balance on the DSG Unusable Reserve will transfer back to the council's total Earmarked Reserves.
8. The risk to the council's overall financial position once the override period ends is being monitored alongside the assessment of the adequacy of the council's reserves, as part of the council's medium term financial strategy. It should be noted that this issue is a major concern amongst local authorities nationally.
9. Measures to contain the deficit and mitigate future cost and demand pressures will be managed by the Service through the DSG Deficit Management Plan and the financial impact of agreed mitigations will be monitored and reported throughout the year as part of the council's routine budget monitoring processes.

SEN Protection Scheme - 2026/27 onwards

10. The SEN protection scheme was expanded to include secondary schools in 2020/21 and was supported by a transfer of £0.6m from the schools block in both 2023/24 and 2024/25. The cost of the scheme continues to grow each year, and the scheme is hugely supported by schools. However, the cost of the scheme is at the limit that the Schools Forum can approve without reference to the Secretary of State and expenditure is forecast to grow further in 2025/26 and subsequent years. Also, the scheme was originally created to reward the most SEN inclusive schools. The reality is that payments are given to all schools who provide top ups, and hence the scheme has lost its original purpose.
11. In January 2025 the Schools Forum voted on a schools block funding transfer to the high needs block in order to continue to fund the SEN Protection scheme for 2025/26. In March 2025 options for the 2025/26 SEN Protection scheme, based on affordability, were presented to the Schools Forum. Schools Forum recommended to Cabinet Option 2 which meant the calculation method was changed to:

(SEN child number x £5,052) – (NOR *£185 (Cap))

Basic entitlement primary	£3,790.90
Basic entitlement KS3	£5,342.27
Basic entitlement KS4	£6,022.91
Average	£5,052.03

	Cap	Cost		Schools block transfer	High Needs Block contribution
2024-25 (final cost)	£175.00	£1,564,000		£650,000	£914,000
2025-26	£185.00	£1,543,554		£690,827	£852,727

12. In the March 2025 Schools Forum it was noted that due to affordability issues for both the schools block and the high needs block (given the high needs deficit position), that different options would need to be considered for 2026/27 going forward or even discontinued.
13. Subsequent to this, further modelling has now been undertaken, and given that the SEN Protection scheme doesn't reward only the most inclusive schools (which was its original purpose), and given affordability issues across the schools and high needs block, it was proposed to Budget Working Group that the SEN Protection scheme is discontinued from 2026/27 onwards. The Budget Working Group recommended that further modelling was required, and that the discontinuation of the scheme should be on a more phased basis as schools rely on this funding.
14. The high needs block cumulative deficit is forecast as at 31st March 2026 to be £40.2 million. The Council needs to put in place strategies using central high needs block funding to mitigate and manage the current deficit. As per the Budget Working Group recommendation, further modelling has now been completed and the proposal for Schools Forum is that the SEN Protection scheme should be discontinued and the budget (using £1.5 million as per budget 2025/26) should be repurposed, using a phased approach, from 2026/27 onwards as follows:
- No Schools Block to High Needs Block transfer in 2026/27 – **£690k** (2025/26 value) retained in Schools Block. Possible uses: 2026/27 funding formula allocations can be increased to all schools by increasing factors, Minimum Funding Guarantee adjustment to increase school allocations, or a growth fund could be set up to manage rising and falling rolls in school. **This is a compromise for 2026/27 and the block transfer process will be reviewed at budget 2027/28.**
 - **£250k** used to mitigate high needs block deficit
 - To fund strategies within the DSG deficit management plan (as outlined in Appendix 1) such as the expansion of the SEMH inclusion team to include more specialist staff to support a wider range of needs directly in schools, and increase commissioned short and long stay intervention spaces for pupils with SEMH as a primary need, to cover all age ranges. Costs for these strategies equate to **£560k**.

DSG Deficit Management Plan Strategies

15. See Appendix 1

Community impact

16. These services contribute to delivery of the following ambitions in the adopted Council Plan for 2024-2028:

People - We will enable residents to realise their potential, to be healthy and benefit from communities that help people to feel safe and supported

Place - We will protect and enhance our environment and ensure that Herefordshire remains a great place to live. We will support the right housing in the right place and do everything we can to improve the health of our rivers

Growth - We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development along with providing the right infrastructure

Transformation - We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money

Environmental Impact

17. This is a consultation with Schools Forum on 2024/25 DSG outturn, SEN Protection scheme & DSG Deficit Management plan, and will therefore 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

18. Due to the potential impact of this project/decision/activity being low, a full Equality Impact Assessment is not required. However the following equality considerations should be taken into account when making a decision about this activity/project:
- 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.

Resource implications

19. As at 1 April 2024 the cumulative high needs budget deficit for Herefordshire Council was £6.1 million. Adding the in year 2024/25 deficit of £13.9 million means that as at 1 April 2025 the cumulative deficit position is £20.0 million.
20. It is essential that the council continues to monitor the performance against budget in 2025/26 to identify and manage emerging cost pressures.

Legal Implications

21. The Schools Forum Regulations 2012 states that the School Forums generally have a consultative role. However, there are situations in which they have decision-making powers, as detailed in Regulation 10. The Regulations state that the council must consult the Schools Forum annually in connection with amendments to the school funding formula, for which voting is restricted by the exclusion of non- school members except for private, voluntary, independent representatives. Voting on de-delegation and the education functions for maintained schools is restricted to maintained school members only.
22. The decision making powers of the Schools Forum are limited, as detailed in the Education and Skills Funding Agency guidance sheet 'School Forum Powers and Responsibilities' published in March 2020.
23. This budget has been set in accordance with the Schools and Early Years Finance (England) Regulations 2023.

Risk Management

24. The Budget Working Group (BWG) reviews 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 and Young People directorate jointly with the Schools Forum.

Consultees

25. The Budget Working Group were consulted on 27th June 2025 and were provided with all options regarding the future of the SEN Protection scheme. They recommended a more phased approach for the discontinuation of the SEN Protection scheme with further excel modelling required. This has been provided in the document above.

Appendices

Appendix 1: Schools forum presentation slides

Background papers

None

Please include a glossary of terms, abbreviations and acronyms used in this report.

BWG	Budget Working Group (of Schools Forum)
CAMHS	Children and Adolescent Mental Health Service
DSG	Dedicated Schools Grant
DfE	Department for Education
CCG	Clinical Commissioning Group

NFF	National Funding Formula
CLEAPPS	Advisory service for schools to support with science and technology
EHCP	Education Health Care Plan
NEF	Nursery Education Funding
2YO	Two year olds
34YO	Three and Four year olds
ESFA	Education and Skills Funding Agency
MASH	Multi Agency Safeguarding Hub
MFG	Minimum Funding Guarantee – a funding mechanism by DfE to provide a funding protection mechanism to smooth budget losses over a number of years
PRU	Pupil Referral Unit
H3	Home and Hospital Teaching Team (Hub, Home, Hospital)
SEN	Special Education Needs
SEND	Special Education Needs and Disability
SENIF	Special Education Needs Inclusion Fund (Early Years)
TPAG	Teachers' pay additional grant
TPECG	Teachers' pension employer contribution grant
CBGG	Core schools budget grant