



Title of report: Dedicated Schools Grant 2025/26 Quarter 2 Outturn

Meeting: Herefordshire Schools Forum

Meeting date: Friday 21 November 2025

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) outturn as at 30 September 2025 (Quarter 2).

Recommendation(s)

That:

- a) **Schools Forum to note the current outturn position of the Dedicated Schools Grant (DSG) for 2025/26.**

Key considerations

- Herefordshire's Dedicated Schools Grant (DSG) allocation for 2025/26 is as follows:

Block	Gross Allocation	NNDR Adjustment	Recoupment	Net Allocation
Schools Block	138,165,364	1,305,766	71,519,920	65,339,678
Central Block	933,855	0	0	933,855
High Needs Block	28,791,266	0	5,253,501	23,537,765
Early Years Block	24,066,374	0	0	24,066,374
DSG Allocation 2025/26	191,956,859	1,305,766	76,773,421	113,877,672

- The DSG Allocation is as per the latest published allocations in July 2025, which reflect the Early Years adjustment for 2024/25 and 2025/26 and any import/export adjustments on the High Needs Block.
- As at Quarter 2 reporting, the Dedicated Schools Grant is forecasting a £17.5 million deficit, relating to the pressures on the High Needs Block. The below table shows the Quarter 2 outturn by block:

Block	Budget (£'000)	Forecast (£ '000)	Variance (£'000)
Schools Block	65,340	65,340	0
Central Block	934	934	0
High Needs Block	23,538	41,052	17,514
Early Years Block	24,066	24,066	0
Total DSG 2025/26	113,878	131,392	17,514

- The forecast deficit on the High Needs Block at the time of budget setting for 2025/26 was £20 million.
- The reason for the variance of £2.5 million is because of reduced complex needs placements of £1.0 million, and independent placements and alternative education provisions being less than profiled at this stage of the year, alongside the average cost being lower than estimated in the budget.

6. The cumulative forecast deficit on the High Needs Block at the end of 2025/26 is currently £37.5 million:

	2022/23 (£m)	2023/24 (£m)	2024/25 (£mil)	Forecast 2025/26 (£mil)
DSG Deficit				
Outturn	1.1	5.0	13.9	17.5
DSG Deficit Cumulative Balance	1.1	6.1	20.0	37.5

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.

Community impact

10. 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

11. 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

12. 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.
13. 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.
14. 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

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

Legal implications

16. 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.
17. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2025.

Risk management

18. 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

19. Budget Working Group (BWG) was consulted on 7 November 2025, who noted the contents of the report.

Appendices

Budget Working Group presentation 7 November 2025.

Background papers

None.

Please include a 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

NNDR National Non-Domestic Rates