



# Title of report: Dedicated Schools Grant 2025/26 Quarter 3 Outturn

**Meeting: Herefordshire Schools Forum**

**Meeting date: Friday 20 March 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) outturn as at 31 December 2025 (Quarter 3).

## **Recommendation(s)**

**That:**

- a) **Schools Forum note the current Quarter 3 outturn position of the Dedicated Schools Grant (DSG) for 2025/26.**

## Key considerations

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

<b>Block</b>	<b>Gross Allocation £m</b>	<b>Recoupment £m</b>	<b>NNDR Adjustment £m</b>	<b>Net Allocation £m</b>
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	23.923	-	-	23.923
<b>DSG Allocation 2025/26</b>	<b>191.809</b>	<b>(77.051)</b>	<b>(1.306)</b>	<b>113.452</b>

2. The DSG allocation is as per the latest published allocations in January 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 recent academy conversions.
3. The forecast deficit on the High Needs Block at the time of budget setting for 2025/26 was £20 million. As at Quarter 3, the DSG is forecast to overspend by £18.2 million, which relates to the pressures on the High Needs Block. The below table shows the Quarter 3 outturn by block:

<b>Block</b>	<b>Budget £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
Schools Block	65.063	65.063	-
Central Block	0.934	0.934	-
High Needs Block	23.532	41.692	18.160
Early Years Block	23.923	23.923	-
<b>Total DSG 2025/26</b>	<b>113.452</b>	<b>131.612</b>	<b>18.160</b>

4. The main reasons for the variance of £1.8 million compared to the expected in-year deficit is because of reduced complex needs placements, and independent placements and alternative education provisions average cost being lower than estimated in the budget. This is offset by increased top up payments for pupils in mainstream, special, pupil referral units and post 16 provision.

## Cumulative DSG Deficit and the High Needs Support Grant

5. The cumulative forecast deficit on the High Needs Block at the end of 2025/26 is currently £38.2 million, which is analysed as follows:

<b>DSG Deficit</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>
Outturn	1.1	5.0	13.9	18.2
<b>Cumulative DSG Deficit Balance</b>	<b>1.1</b>	<b>6.1</b>	<b>20.0</b>	<b>38.2</b>

6. 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.
7. The Department for Education (DfE) announced on 23 February 2026 that local authorities would receive funding via a new High Needs Stability Grant to offset 90% of its historic DSG deficits up to and including the 31 March 2026. This would equate to £34.4 million based on the Q3 outturn. Council's will then have to fund the remaining 10% from its Earmarked Reserves, which would equate to £3.8m.
8. 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. The government expect local SEND reform plans to be developed collaboratively by local area partnerships including schools, health, early years settings and post-16 providers, to ensure the plan reflects the shared responsibility of the whole local system in supporting children and young people.
9. The DfE recognise that SEND reform will take time to fully embed and local authorities will need further support. For deficits that arise in 2026/27 and 2027/28, local authorities can expect that the DfE will continue to take an appropriate and proportionate approach, though it will not be unlimited. From 2028/29, SEND spending will be covered within the government's DEL budget so local authorities will not be expected to fund future SEND costs from general funds.
10. Measures to contain the deficit and mitigate future cost and demand pressures will continue to 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.

## Early Years Block

11. At the Schools Forum meeting on 20 January 2026, the forum requested that more detailed information be provided regarding the Early Years Block, particularly the use of the central retained element.
12. As noted in paragraph 1, the latest 2025/26 Early Years Block allocation is £23.9 million which was updated by the DfE in January 2026. As agreed at Schools Forum a part of the 2025/26 budget setting process, 2.7% of the allocation is centrally retained, in line with the DfE guidance, with the remainder being passported to providers.

13. The central budget for 2025/26 is £645,000 and a summary of how this is being spent is noted below. There is currently no forecast variance on the centrally retained budget:
  - a. Early Years Improvement Advisors
  - b. Early Years Inclusion Officers
  - c. Early Years Funding and Auditing Support
  - d. Early Years Transactional Officer (Via Hoople Contract)

### **Community impact**

14. 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**

15. 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**

16. 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.
17. 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.
18. 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**

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

## **Legal implications**

20. 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.
21. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2025.

## **Risk management**

22. 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**

23. Budget Working Group (BWG) was consulted on 6 March 2026, who noted the contents of the report.

## **Appendices**

None.

## **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