

## Appendix 4

### Dedicated Schools Grant

1. The DSG conditions of grant require that any local authority with an overall deficit on its DSG account at the end of financial year 2021/22, or who's DSG surplus had substantially reduced, present a plan to the DfE for managing its DSG spend in 2022/23 and future years and commit to reducing the deficit. There is also a requirement to provide information as and when requested by the DfE about pressures and potential savings on its High Needs budget.
2. The Council complete regular DSG management recovery plans to outline forecasts over the next 5 years. The Council continues working with the DfE and received a Stage 1 grant of £45,000 and a Stage 2 grant of £1m for the "Delivering Better Value" (DBV) programme, which commenced in September 2023, that supported work to reduce the ongoing pressures within the High Needs Block using best practice and benchmarking across the country. This funding expired in Summer 2025. Within this programme it has been identified that, to be successful, inclusion in mainstream schools needs to improve. DBV is a long-term programme and 55 other local authorities as well as Middlesbrough Council are participating in the DBV programme. It should be noted that Middlesbrough Council is not involved in the "Safety Valve" programme, which is support for those local authorities with the greatest DSG deficits.
3. DfE also expect that schools be regularly updated via the Schools Management Forum about the authority's DSG account and plans for handling it, including high needs pressures and potential savings.
4. On completion of the Delivering Better Value (DBV) work, the early evaluation has identified that there would be a pressure in the current year. However, additional risks were highlighted as part of the DBV programme; specifically, that this may not be achieved without significant change regarding inclusion in mainstream schools. Inclusion within mainstream has remained a challenge, which has resulted in continued increased demand for specialist provision. These are over commissioned places which has resulted in financial pressure to provide place funding. Alongside this, there has also been an increase in rates from specialist providers across the board and significant increased pressure from rising permanent exclusions.
5. A range of management actions are being taken following the completion of the DBV programme these include initiatives such as:
  - Work with health colleagues to identify health contributions where relevant
  - On-going reviews of Education, Health and Care (EHC) assessments
  - Training for staff and school staff to support children remaining in mainstream settings
  - Reintegration of Excluded pupils to mainstream where possible
  - Governance of High Needs budget
  - Service review and modelling

- Review of Top-ups in line with Improvement Plan and the implementation of a new resource allocation system
- Reduce Exclusions
- Consider notional SEND budget and how this is used,
- Linking school inspection in with SEND and Alternative Provision Improvement plan,
- Review school reserves and examination of potential of implementing a policy (subject to SMF) for taking excess reserves back into High Needs where relevant and appropriate.

6. The increasing pressure in DSG and the High Needs Block is due to the fact that alongside social care, the Service has seen, and is predicting, an increase in more complex placements with a forecast increase in Education, Health, and Care plans (EHCPs) in the future. In Middlesbrough, the number of EHCPs have increased from 1,659 in 2022 and 1,804 in 2023 to a current level of 2,040 in January 2025, an 8% increase between start of 2024 to 2025. It should be noted that the number of children with an EHCP is also a key cost driver in relation to home to school transport costs that are met by the General Fund through the Integrated Transport Unit. Some children in Alternative Provision are also a factor in relation to home to school transport costs. In 2022 132 children accessed Alternative Provision and in 2023 the figure was 175, and this figure has currently risen to 297. This is a national issue affecting many local authorities and presents a growing and significant financial risk to the Council. The Government have partly recognised this by an increase in funding allocated in the finance settlements in recent years for both Schools and High Needs Blocks. However, no specific funding has been provided in recognition of the adverse impact upon the General Fund cost of home to school transport.

7. Table 1 below shows the actual and forecast Education, Health, and Care plans (EHCPs), and is periodically being updated and used to calculate the forecasted increase in required demand on alternative provision services and also the Council's SEND transport requirements and also used to inform updates of the DSG Management Plan for Middlesbrough.

***Table 1 – Actual and forecast Education, Health, and Care plans (EHCPs)***

Year	2022	2023	2024	2025	2026	2027
Number of EHCP – actual and forecast	1,659	1,804	1,881	2,040	2,046	2,147

8. Table 2 shows forecasted in year position for the overall DSG position including the High Needs block affected by the above.

**Table 2 – forecast Income and expenditure for DSG blocks in year and forecast balance position at 31<sup>st</sup> March 2026**

	2025/26 Forecast Income	2025/26 Forecast Expenditure	2025/26 Forecast Year-end Overspend	Balance as at 31/03/2025	Forecast Cumulative DSG Deficit as at 31/03/2026
	£m	£m	£m	£m	£m
Early years Block	22.674	22.674	0.000	(0.749)	(0.749)
Schools Block*	12.526	12.526	0.000	(0.490)	(0.490)
High Needs Block*	33.910	42.910	9.000	23.515	32.515
Central school services Block	1.136	1.136	0.000	(0.063)	(0.063)
<b>TOTAL</b>	<b>70.246</b>	<b>79.246</b>	<b>9.000</b>	<b>22.213</b>	<b>31.213</b>

\* the income figures include the 0.5% (£751k) transfer from schools block to High Needs block agreed at School Management Forum 15th January 2025