Appendix F4

Dedicated Schools Grant (DSG)

The Dedicated Schools Grant (DSG) is a ring-fenced grant provided by Department for Education (DfE) to local authorities to fund education and is accounted for separately from the Council's General Fund. The DSG comprises four main funding blocks:

- Schools Block
- Central Schools Services Block
- High Needs Block
- Early Years Block

The High Needs Block supports provision for children and young people with Special Education Needs and Disabilities (SEND), including those requiring Education, Health and Care Plans (EHCPs), specialist placements and alternative provision.

Context and National Framework

Local authorities with DSG deficits are required to demonstrate active management of High Needs spending and long-term plans to restore sustainability.

The national framework has evolved significantly following announcements in February 2026 in the Provisional Local Government Finance Settlement. The Government introduced Local SEND Reform Plans as the primary mechanism for delivering system-wide improvement, alongside confirmation of a High Needs Stability Grant, which will cover up to 90% of DSG deficits accumulated at 31 March 2026, subject to plan approval. Future in year deficits may also be covered by High Needs Stability Grant if milestones in the SEND Reform Plan are achieved. The remaining deficit will continue to be reported as unusable reserve until 31 March 2028 when the balance will revert to be reported as usable council reserves. This has been accommodated in the current MTFP.

Working with local partners in health and parents of young people with SEND, the Council has developed a Local SEND Reform Plan, which sets out a comprehensive and evidence-based programme of system transformation to improve outcomes, reduce demand for high-cost provision and deliver a financially sustainable High Needs Block. The plan has been submitted to DfE with the aims of

- Increasing inclusion within mainstream settings
- Strengthening early intervention
- Improving joint commissioning with health partners
- Reducing reliance in high-cost placements
- Stabilising the High Needs Block over the medium term

The plan has been submitted to the Department for Education, and this is currently going through the Secretary of State approval process. It is expected that successful local authorities will be informed of the grant during September/October 2026.

Demand and Cost Pressures

The DSG position continues to be driven by increasing demand, complexity of need, and market pressure, consistent with the national position.

Key demand pressures include:

- Continued growth in EHCP's, increasing from 1,669 in 2022 to over 2,040 in 2025.
- Rising demand for specialist and alternative provision, including increasing numbers of pupils requiring high-cost placements
- Growth in permanent exclusions and alternative provision placements
- Increased complexity of need, resulting in higher cost packages and specialist interventions

The Local SEND Reform Plan identifies that these pressures are closely linked to inconsistent levels of inclusion across mainstream settings, leading to a higher reliance on statutory processes and specialist provision.

These demand pressures also have a wider financial impact, particularly on home to school transport costs, which are funded from the Councils core budget.

Ongoing work to Manage Pressures and Improve Services

A range of operational and strategic actions are being undertaken to manage the High Needs Block and support system improvements.

These actions form part of, and are being further developed through, the Council's Local SEND Reform Plan, ensuring alignment with national policy and long-term sustainability.

Key areas of focus include:

- Strengthening inclusion in mainstream education
- Review of EHCPs
- Improved commissioning and sufficiency planning
- Partnership working with Health
- Development of a revised resource allocation system
- Reduction in exclusion and improved reintegration
- Enhanced governance and financial oversight

These actions are embedded with key reform workstreams, including delivery of an Experts at Hand model, development of a co-produced Universal Offer, and expansion of local inclusion bases, all of which are designed to reduce pressure on high-cost specialist provision.

Financial Position and Outlook

The High Needs Block continues to experience significant financial pressures, resulting in an ongoing DSG deficit.

The Local SEND Reform Plan includes clear outcome measures, including reductions in out-of-area placements, stabilisation of EHCP demand and increased inclusion within mainstream settings, which will underpin improvements in financial sustainability over the medium term.

While national reforms provide a more structured financial framework, the position remains dependent on:

- Successful approval and delivery of the Local SEND Reform Plan
- The pace at which inclusion and early intervention reduce demand growth
- Continued Government support

Risk and Assurance

The DSG deficit remains a significant financial risk to the Council.

The Local SEND Reform Plan recognises that there remains a risk that, if the Plan is not approved or does not deliver the intended outcomes at pace, the Council may not secure access to the High Needs Stability Grant or achieve the anticipated financial improvements, which would increase pressure on the overall financial position.

The risk is actively managed through inclusion on the Strategic Risk Register, strong governance arrangements, alignment with the Medium-Term Financial Plan and delivery of the Local SEND Reform Plan.

Summary

The DSG reflects system-wide demand and structural pressures.

The Local SEND Reform Plan provides a clear delivery framework, including measurable outcomes and phased implementation, which supports both improved outcomes for children and young people and the transition towards a financially sustainable High Needs System.

While financial pressures will continue in the short term, the combination of national reform, local delivery and strengthened system leadership provides a foundation for long-term sustainability.