

## **Extension of Dedicated Schools Grant (DSG) Statutory Override to March 2028**

### **Policy Confirmation, Local Implications, and Recovery Options**

#### **Key Messages**

- The Department for Education (DfE) has confirmed the extension of the Statutory Override on DSG deficits to 31 March 2028.
- Sheffield is projected to record its first cumulative DSG deficit in 2025–26, estimated between £15–18 million.
- Overspend is primarily driven by increasing numbers of children with Education, Health and Care Plans (EHCPs), reliance on high-cost independent placements, and substantial investment in mainstream top-up funding and SEND support to encourage local placements and prevent unnecessary escalation.
- Sheffield is developing a Deficit Recovery Plan guided by principles of prioritising children's outcomes, promoting local placements, managing demand, and ensuring financial sustainability.
- Early actions include reviewing existing DSG spend, expanding local specialist provision, reducing unnecessary independent placements, strengthening mainstream inclusion, maximising funding opportunities, and promoting system-wide collaboration.

#### **Forum members are asked to:**

- Note the projected DSG deficit and the implications of the statutory override extension.
- Note the emerging recovery strategy, the principles guiding decisions, and the key actions being taken.
- Recognise the importance of collaborative working across the Sheffield school system to support sustainable SEND provision and reduce future financial pressures.

## **1. Introduction/background**

- 1.1. The Statutory Override was introduced by the DfE to allow local authorities to hold DSG deficits separately from the main Council budget. This mechanism has now been extended to March 2028 to provide additional time for authorities to manage growing financial pressures.
- 1.2. Sheffield is projected to experience its first cumulative DSG deficit in 2025–26, estimated between £15–18 million. This is the first time the Council will face a deficit of this scale and represents an emerging risk to the wider financial position once the override is removed.

1.3. The projected deficit is driven by:

- 1.3.1. **Increased EHCP demand:** numbers of children and young people requiring complex support are rising steadily, reflecting growing population and needs.
- 1.3.2. **High-cost independent and out-of-area placements:** limited local specialist provision has led to reliance on external placements, which carry high tuition and transport costs.
- 1.3.3. **Investment in mainstream SEND support:** additional top-up funding and support services have been provided to mainstream schools to encourage more children to remain in local placements, prevent unnecessary escalation to formal EHCPs or specialist placements, and build sustainable long-term capacity. These investments are intended to deliver long-term benefits by increasing local provision, reducing reliance on independent placements, and controlling future high needs expenditure growth.

## 2. National and Local DSG Position

### 2.1. National Context

High Needs Block deficits are a widespread issue across England. Many local authorities face cumulative DSG deficits that are significantly higher than Sheffield's. National programmes such as Safety Valve and Delivering Better Value provide structured support for authorities with large deficits, including Government-backed recovery plans. Sheffield is not currently part of either programme.

Local Authority	Approx. DSG Deficit	Status	Notes
<b>Birmingham</b>	£220m+	Section 114 issued; Safety Valve	Severe financial distress
<b>Surrey</b>	£118m	Safety Valve agreement	Government-backed recovery plan
<b>Kent</b>	£140m+	No formal recovery arrangement	Ongoing discussions with DfE
<b>Hampshire</b>	£100m+	Declined Safety Valve offer	Managing risk independently
<b>Leeds</b>	£90m	Delivering Better Value programme	Targeted Government support
<b>Somerset</b>	£45m+	Not in recovery programme	Risk of doubling by 2026
<b>Sheffield</b>	£15–18m	Not in recovery programme	First cumulative deficit; emerging risk

## 2.2. Sheffield Context

Although Sheffield's deficit is smaller than many authorities, this is the first time the Council is recording a cumulative DSG deficit, highlighting the need for careful monitoring and early intervention.

Overspend is largely attributable to:

- Rising numbers of children with EHCPs requiring specialist support.
- Continued reliance on costly independent placements due to insufficient local specialist capacity.
- Strategic investment in mainstream SEND support, including top-up funding, designed to prevent escalation and encourage children to remain in local schools where appropriate.

This investment is expected to deliver long-term benefits by increasing local provision, reducing reliance on independent placements, and controlling future high needs expenditure growth.

## 3. Recovery Strategy and Approach

### 3.1. Recovery Principles

Sheffield's Deficit Recovery Plan is being developed with clear guiding principles:

- **Children-Centred Approach:** all actions prioritise outcomes for children with SEND, ensuring appropriate support in the right place at the right time.
- **Local Placement First:** expansion of local specialist provision and mainstream SEND support aims to reduce reliance on high-cost independent placements.
- **Demand Management / Early Intervention:** targeted funding and interventions in mainstream schools prevent unnecessary escalation to EHCPs or specialist placements.
- **Financial Sustainability & Evidence-Based Decision-Making:** data and analysis underpin all decisions to ensure resource allocation is cost-effective and supports reduction of projected overspend.
- **System Collaboration:** all schools, settings, and local partners must work together to align resources, share best practice, and support sustainable SEND provision.

### 3.2. Key Actions Underway

Action	Description	Intended Benefit
<b>Review existing DSG spend</b>	Comprehensive review of all activities for compliance and impact	Frees funding for priority areas and reduces unnecessary expenditure
<b>Integrated placement sufficiency planning</b>	Ensure sufficient local specialist and mainstream placements aligned to demand	Reduces reliance on expensive independent placements and supports children locally
<b>Expand local specialist provision</b>	Develop new special school places and resourced mainstream bases	Lowers tuition and transport costs and increases local capacity
<b>Reduce independent placements</b>	Establish placement panels to review cases rigorously	Direct savings and promotes needs-led commissioning
<b>Review EHCPs and top-up funding</b>	Align funding with assessed needs and quality assurance	Controls cost inflation and prevents over-funding
<b>Strengthen mainstream inclusion</b>	Support early interventions in mainstream schools	Reduces future EHCP demand and encourages inclusion
<b>Improve communication with families</b>	Ensure families understand placement options and support available	Supports informed decision-making and manages expectations
<b>Explore joint commissioning</b>	Collaborate with health and care partners	Shares costs and improves integrated support

### 3.3. Collaboration Across the School System

- Managing and reducing the DSG deficit requires collective action across the Sheffield education system, including mainstream schools, special schools, early years settings, and post-16 providers.
- Schools play a crucial role in helping to manage demand by supporting early intervention strategies, maximising local placements, and using SEND resources efficiently.
- Collaborative initiatives include:
  - Placement panels with school representation to reflect both educational and financial perspectives.
  - Joint planning of SEND provision to anticipate demand and develop local capacity strategically.
  - Shared professional development and training to equip mainstream staff to support children with complex needs, reducing demand for costly specialist placements.
- By working together as a system, Sheffield can deliver high-quality SEND provision sustainably, ensuring children receive the right support in the right place while managing the financial pressures of the High Needs Block.

## 4. Timescales

- Draft Deficit Recovery Plan: end of September 2025.
- Wider consultation: October 2025.
- Implementation of early measures: 2025–26 financial year.

## 5. Recommendations

Forum members are asked to:

- **Note** the projected DSG deficit and that this is the first cumulative deficit for Sheffield.
- **Note** the extension of the Statutory Override to March 2028 and the temporary relief it provides.
- **Note** the emerging Deficit Recovery Plan, the guiding principles informing decisions, and the key actions underway to manage the High Needs Block deficit.
- **Acknowledge** the importance of collaboration across the Sheffield school system and support initiatives that promote early intervention, local placement, and effective use of SEND resources.
- **Encourage** active engagement by all schools and providers to work together with the Council to ensure sustainable solutions to the DSG deficit while maintaining high-quality outcomes for children with SEND.