

DEDICATED SCHOOLS GRANT (DSG) UPDATE

Committee name	Children, Families & Education Select Committee
Officer reporting	Abi Preston, Director of Education & SEND
Papers with report	N/A
Ward	All

HEADLINES

The Dedicated Schools Grant (DSG) is a ring-fenced grant used to fund LBH education-related services. This funding primarily supports schools, early years education, and provision for children and young people with high needs. The DSG is divided into four blocks: Schools Block, Early Years Block, High Needs Block, and Central School Services Block.

This report focuses on the financial status of the High Needs Block and associated SEND service delivery and all data is presented within financial years. Only SEN2 data is reported in calendar year.

In May 2025, LBH received validation from the DfE, stating that: *“We commend you on the significant progress that has been achieved in Hillingdon and your rigorous approach to providing a high quality, financially sustainable SEND service.”*

RECOMMENDATIONS

That the Committee:

- 1. Note the current improved DSG High Needs Block financial status; and**
- 2. Note the DfE recognition of the SEND progress achieved.**

SUPPORTING INFORMATION

The DSG is aligned to the Local Area SEND and Alternative Provision (AP) Strategy 2023-28, which is the driving force for change in Hillingdon and a reset in expectations for our area wide SEND improvement programme. This strategy underpins the priority areas the SEND services and partners work on collaboratively to ensure the right support is provided to children and families at the right time and in the right place.

The most significant improvement achieved has been in strengthening early intervention. This has benefited children and settings with pre-statutory support and funding routes. In turn, this has supported slowing the growth of Education Health Care Plans (EHCPs), where appropriate, leading to a lower number of plans than expected, and providing cost effective provision for children with SEND needs.

The key EHCP highlights as per the latest published SEN2 2025 data (reporting for the 2024 calendar year period) are:

- The net growth of EHCPs was -1% during 2024, which is a significant reduction when compared with 7% growth reported in 2023 and 8% growth in 2022.
- Every step of the Education Health Care Needs Assessment (EHCNA) journey to EHCP in LBH is above national, and in some cases significantly. LBH achieved 90.8% compliance in 2024 (56.5% reported in 2023) for statutory timelines excluding exceptions vs London 66.9%, and national 46.4%.
- LBH is below national for SEND children absences, persistent absence, authorised and severely absent, as well as approximately 50% lower for suspensions compared to national figures.
- LBH had 0% permanent exclusions vs London 0.2%, national 0.04%.
- At the end of the financial year 2024/25, LBH had 3521 EHCPs compared with FY end 2023/24, at 3441 EHCPs. This data considers the growth in new plans, movers in and ceasing of plans. In December 2023, the projection for EHCP numbers after Safety Valve initiatives was set to grow at 3740 EHCPs by 2024/25, therefore, the service has successfully managed to reduce demand of plans by a further 219 more plans than originally projected. This has predominantly been as a result of young people achieving their outcomes and/ or moving into employment opportunities.
- There has been a 6% increase in the timeliness of the 6 weeks decision to assess compared to last year.
- The number of ceased plans due to moving to the paid employment has increased to 44 compared to 21 last year (110% increase).
- The number of ceased plans due to educational and training needs met without plan has increased to 25 compared to 12 last year (108% increase).
- The revised banding model for mainstream schools successfully launched in September 2024 and the new special school banding model launched in April 2025. This was independently led and co-produced by schools. Along with a new funding model, the banding frameworks now mean the local area has a fairer, more transparent, efficient and effective high needs funding system across Hillingdon that supports delivery of the ambitions within Hillingdon's SEND & AP Strategy.
- Commissioners have a new Dynamic Purchasing System for Alternative Provision providers, aiming to increase options for children, improve market influence, and ensure value for money, with additional projects enhancing collaboration, mediation, and cost scrutiny.

Successful Phase Transfer 2025 year with:

- **Primary** Phase Transfer: 283 children with EHCPs were due for transfer in 2025 and 100% met the statutory deadline of 15 February (compared to 295 in 2024 which was also met at 100%).
- Naming by Type: 9.9% named by type only. Compared to 10.4% in 2024 (down 0.5% from 2024).
- **Secondary** Phase Transfer (Year 11): 241 young people included and all EHCPs amended (Compared to 212 in 2024).
- **Post-16** Phase Transfer (Years 12-20): 356 young people included, along with NEETs and those at the end of placements (compared to 379 in 2024).
- 16% in supported internships, compared to 3% in 2024.
- 87.9% placed in-borough, compared to 21.6% in 2024.

Data Quality

With the robust operational controls and gatekeeping implemented, the service has locked down the core EHCP operational and financial data, with ongoing weekly discrepancy reports resolved within set tolerance levels. This will be strengthened by the investment in the new EYES and EHCP portal software that compliments the current EHM and ContrOCC systems, resulting in increased data accuracy. The service now has live Power BI dashboards to enable them to monitor performance and statistics more readily.

Financial position

The result of these positive outcomes in service delivery is a much stronger financial position for LBH's DSG position than would have been otherwise. The DSG deficit as at the end of March 2025 is £65.71m - an 11% improvement on the forecast position before the start of the Safety Valve programme in 2022/23.

The outturn position at the end of March 2025 was an in-year overspend on DSG of £15m mainly due to overspends in the High Needs Block, which finished the year with an in-year overspend of £14m (23/24 in year deficit was £28.7m).

Description	Allocation	Outturn	Variance
Schools Block			
→ ISB	£280m	£279m	£-1m
→ Growth Fund	-	£1m	£1m
→ NNDR (rates)	£-3m	£-3m	-
→ Academy Recoupment	£-172m	£-172m	-
Net Schools Block	£105m	£105m	-
Central School Services Block	£2m	£4m	£1m
Early Years	£37m	£37m	£0m
High Needs*	£56m	£70m	£14m

	£-201m	£-216m	£-15m
In-Year Net DSG Outturn			
Opening DSG Balance			£-51m
Closing DSG Balance		-	£-66m

This outturn position is better than expected. The forecast DSG outturn at the start of the year was an expected overspend of £20m thus an end overspend position of £15m is a 25% better outturn performance than expected.

At the end of March 2025, the average top-up cost, including inflationary pressures, came in at approximately £12k which is now a 31% reduction in the average cost of top-ups at the beginning of the Safety Valve programme in 2022/23 at £18k. Brand new EHCP plans issued in 2024/25 came in at an average cost of £8k which provided an estimated cost saving of £3.4m. Much of this is as a result of placing less children in high-cost independent provision and due to the new banding framework which is more consistent in approach and in line with needs.

	2024	2025
Independent / INMSS	£48,991	£54,300
Special Schools	£33,625	£33,979
Mainstream	£9,534	£9,181
Further Education	£5,616	£15,493

Average Cost Breakdown Year on Year

The table above shows the breakdown of the average EHCP cost at different school types from March 2024 to March 2025.

Our specials schools continue to provide good value for money with the average cost remaining relatively stable despite increased capacity. A thorough banding review has been completed for our special schools which provides increased transparency and efficiency in the allocation and assignment of top-ups.

The most significant year on year change is attributed to Further Education placements. There has been an intentional strategic engagement with the Further Education institutions in order to increase capacity at post 16 provision. This has meant that more complex needs could be met in Further Education rather than specialist post 16 which tend to be more expensive.

There was renewed focus on directing resources to increasing the provision of the local offer whilst reducing the dependence on independent provision. A combination of this focus and the increase in funding supported the achievement of the financial outcomes.

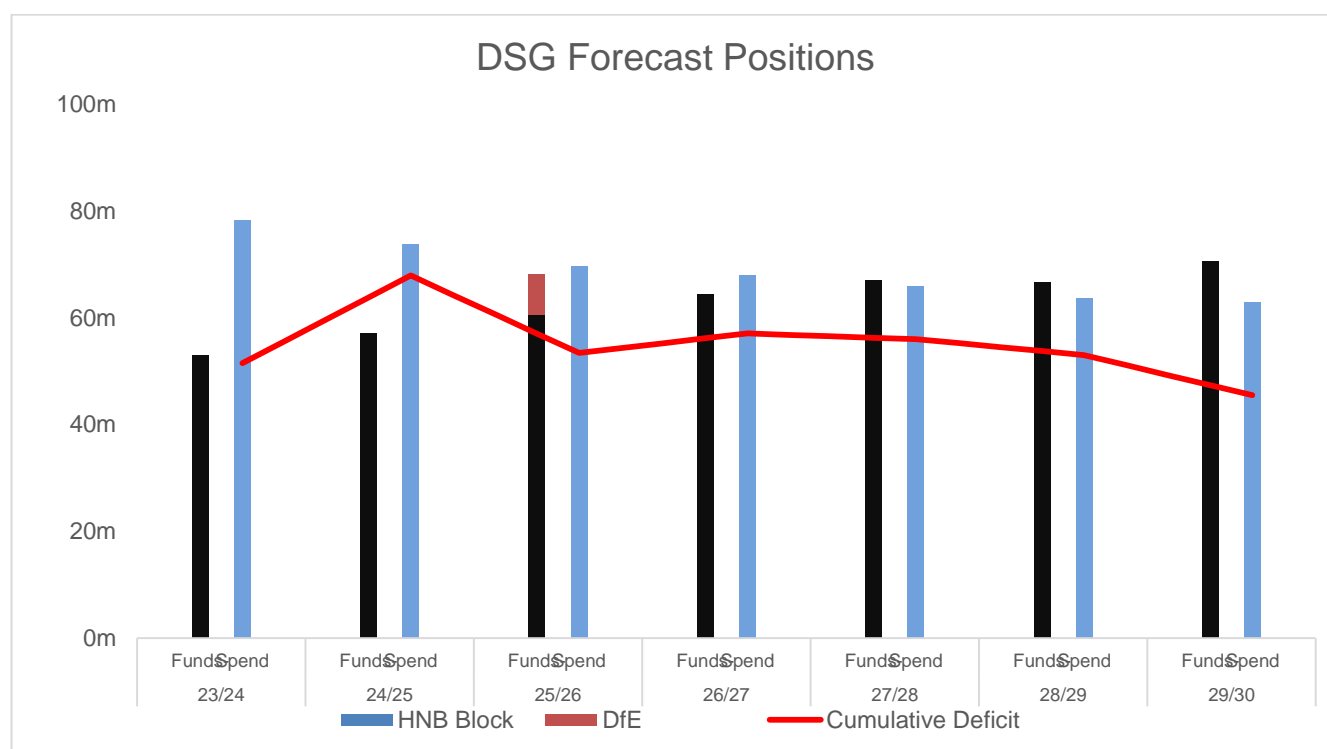
As at end of March 2025, the funding paid to independent settings had been reduced by 15% when compared to March 2023 with a total cost of £13m making up 24% of DfE funding allocated to LBH compared to 33% in March 2023. There were over 400 active placements in independent settings at the start of the 2022/23 costing an average of £49k per placement. By the end of 2024/25, the number of placements in independent provisions had been reduced to approximately 263 placements at an average cost of £54k. The increase in average cost is as a result of only the most complex of needs being met in independent settings with fewer children and young people now meeting this criterion.

In the year to March 2025, the investment in place funding (by increasing the available local offer in special schools and SRPs) had grown to £19m, a 34% increase compared to March 2023. This increase supported the LA's strategy of educating children in their local community, wherever possible, by placing more children in maintained special provision rather than high-cost independent placements which are also often out of borough.

Funding received from the DfE has also been higher than forecasted though it still falls short of the assessed needs of the LA, an issue which is nationwide and currently a key point of discussion in central government.

LBH maintains a sharp focus to continue to reduce the DSG High Needs Block deficit earlier than forecasted. Some of the full impact of savings will be seen from 2025/26 onwards, due to the lag between the implementation of service improvements and the benefit realisation in cash terms.

LBH's break even in-year financial outlook is stable, evidenced by the team's progress to date, exceeding the set original projections. A revised projection sees the LA achieving an in-year balance in 2027/28.



As of Month 2 (May 2025), the Dedicated Schools Grant (DSG) is forecasting a deficit of £12.5m – an improvement from the £15m outturn for 2024/25. This in-year shortfall is entirely driven by continued demand and cost pressures in High Needs placements, which remain significantly underfunded in the DSG allocation from the Department for Education (DfE). These pressures are not unique to the local authority; nationally, local authorities are facing similar challenges. Rising demand for specialist provision, increases in complexity of need, and increasing reliance on costly independent non-maintained placements are contributing to widespread overspends in the High Needs Block. Despite efficiency targets and mitigation efforts, the structural underfunding of High Needs provision continues to place significant strain on DSG budgets across the country. The table below provides a summary of the DSG budget and the current forecast.

Dedicated Schools Grant (DSG) Blocks	Budget 2025/26				Forecast Month 2 £m	Variance Month 2 £m
	DSG Settlement	Academy Recoupment	Budget Virement	LBH Maintained		
	£m	£m	£m	£m		
Schools Block	299.4	187.0	0	112.4	112.7	0
Early Years Block	48.2	0	0	48.2	48.2	0
Central Schools Block	2.5	0	0	2.5	2.4	-0.1
High Needs Block	71.6	8.7	13.7	62.9	73.8	12.6
Total	421.7	195.7	13.7	226.0	238.5	12.5
Balance Brought Forward 1 April 2025						65.6
Total Deficit at 31 March 2026						78.1

Mainstream school provision

As at the end of March 2025, 54% of the EHCP caseload have their needs met in mainstream provision vs 44% at the 2022/23 baseline. This is a 10% increase, following a steady term-on-term increase, and has been achieved as a result of:

- Resetting expectations with schools to support more children with EHCPs in mainstream as well as more complex needs, whilst realigning the expectations with special schools to focus on more complex needs, in line with national expectations.
- Sharing SEND census data with schools termly to support a transparent approach to inclusion. Consulting with local mainstream schools at phase transfer and in year placements, consulting with schools with low % of EHCPs, as these settings have the resources to deliver the provision, as well as parental preference, and sharing the responsibilities with all schools not just those who are known for providing good support for SEND. This was a key message heard from schools when creating the new strategy and work is ongoing to further support this objective. Additional non-statutory funding is provided for schools currently who have higher levels of EHCPs to ensure they are supported financially with notional SEND funding.
- Improved EHCP outcomes achieved at Annual Reviews.
- More training, guidance and support to empower schools to support children within their notional budgets.

Special school provision

LBH is developing further specialist provision in Hillingdon special schools and reducing reliance on out of borough placements, whilst optimising the use of mainstream settings for children with mainstream and specialist needs.

There is a 14% increase in local specialist places created since our 2022/23 baseline and the service is on track to deliver the school place planning programme of works. This will result in a 50% increase in local specialist places, totalling to 569 new places by 2027/28.

This has been achieved with a strong partnership between LBH teams, mainstream schools, and Hillingdon special schools leading to improved outcomes achieved at Annual Reviews. Along with early identification of complex needs through the Early Years Tracking Panel.

Demand for additional places

The additional places being provided above include the additional primary phase Specialist Resource Provision (SRP) and Designated Units (DU) that opened in September 2024, and additional places commissioned in our existing special schools, which is enabling LBH to meet the increasing demand. This work will continue alongside workstreams in the Local Area SEND & AP Strategy, to align the needs of the pupils with the most appropriate provision, and a desire to ensure mainstream schools are inclusive and can meet a range of needs.

New admissions guidance for special schools is being developed to enable parents and schools to better understand the needs each of our special schools can meet, and this will allow a better understanding of the projection of needs coming through the system. Data is being closely monitored to ensure that there are sufficient places to meet the needs of the children and young people across the borough, and there is a school organisation plan which is updated each year ([School Organisation Plan](#)). This is in addition to the new SEND sufficiency strategy.

There are currently 81 more places in primary SRPs and DUs than in secondary schools. This means there is no clear pathway for these young people to move into from primary school, often putting more pressure on the high demand for special school places as a result. Additional places in secondary schools are being created which will enable primary age children to move seamlessly through their mainstream education with the appropriate levels of support.

Officers have been working closely with a number of secondary schools, and 3 feasibility exercises have already been completed so far to understand the options available on each site. Options range from internal adaptations to existing buildings to the creation of a standalone building on site to provide specialist provision. This work is taking place in partnership with schools across the Borough. One new secondary SRP has been agreed and the team are working with other secondary schools to develop more provision. This additional capacity will be open in September 2026.

The latest data indicates that the average cost of a special school placement is £34k per year and for INMSS it is £54k. In comparison, a placement at an SRP costs £20k and in a DU costs £25k. Therefore, the new provisions will lead to long term cost savings and allow special schools to focus on supporting the most complex children and young people.

SEND Capital DSG Projects

A successful bid for additional capital grant funding was made to the DfE in March 2022 to deliver the projects in the DSG Deficit Recovery Programme. The table below provides a summary of the proposed projects that have been included in the bid. In total, there are 9 projects.

Proposals included in bid for SEND Capital

Provider	Description	Type	Phase	Type of SEND need	Number of additional places to be created
Meadow High School	Expansion by adoptions and small extension to create new 2nd site and demolish/ rebuild on main site.	Community Special School	Secondary	MLD (Complex)	98
New Special Free School Bid	ASD with complex needs	Site to be confirmed	All through School	ASD with complex needs	180
Pinkwell School (Elliot Trust)	Agree permanent status beyond 2024 of the temporary Unit used by Eden Trust 2022-24	Academy	Primary	SLD	N/A

The following projects have been completed since January 2024:

Charville Primary Academy (South)	Primary SRP	Academy Primary	Primary	ASD	16
Ruislip Gardens Primary School (North)	Primary ASD SRP integrated into school - working alongside the Nursery Assessment Centre	Community Primary School	Primary	ASD	16
Ruislip Gardens Primary School (North)	Specialist Assessment Centre	Community Primary School	Primary	ASD	16
Wood End Park Primary Academy (South)	Designated Unit	Academy Primary	Primary	ASD with Complex Needs	24
Eden Trust: Grangewood Primary & Moorcroft Secondary Special Schools	Satellite provision of Grangewood and Moorcroft at Pinkwell	Academy Special	Grangewood Primary	SLD	16
			Moorcroft Secondary		24
Orchard Hill Special FE College Independent post-19	New location for Orchard Hill College (Brookfield Adult Education Centre) - renamed Park View	Independent	Post 16	Complex needs	N/A

Since the above capital works were agreed in 2022, additional capacity is also being delivered with DfE and LA funded projects, detailed in the table below.

Provider	Description	Type	Phase	Type of SEND need	Number of additional places to be created
Eden Academy Trust	New Free school : Grand Union Village	Academy	Primary	SLD / PMLD	80
Eden Academy Trust	New Free school to replace Grangewood: Pinn River	Academy	all-through age 4-19	SLD/PMLD	80
Bishop Ramsey	Specialist Resource Provision (SRP)	Academy	Secondary	ASD	24
TBC	Specialist Resource Provision (SRP)	TBC	Secondary	ASD	24 to 32
TBC	Specialist Resource Provision (SRP)	TBC	Secondary	ASD	25 to 32

Our local College (Harrow, Richmond, and Uxbridge College (HRUC)), have also invested in new premises and their existing estate, to increase their ability to meet the needs of students with SEND. This includes 70 additional places that will be commissioned for the Barra Hall setting in Hillingdon, which is undergoing refurbishment work. This will be open for 70 students in September 2026.

Breakdown of type of provision for EHCP caseload at the end of FY 2024/25

Provision type	EHCP %
Mainstream - primary	29%
Mainstream - secondary	16%
Mainstream - post 16	9%
Special schools	31%
Independent, non-maintained special schools	9%
Not in education, employment or training	2%
Not in education - other	1%
Elective Home Education	0%
Educated other than at school	2%
Alternative Provision	0%
Early Years Provider	0%

*Note 99% due to rounding up

Growth and ceasing

Net growth of EHCPs was 2% at 2024/25 (financial year) when compared to EHCPs open at 2023/24, which indicates a reduction when compared to 3.4% net growth last year 2023/24 and 9.4% net growth in 2022/23. This data considers the growth in new plans, movers in and ceasing of plans during the financial year which is different to net growth in SEN2 that is calculated during a calendar year.

Reduce dependency and cost of Independent, Non-Maintained Special Schools (INMSS)

There has been a reduction in independent placements with 9% (325 placements) of CYP with

EHCPs were placed in INMSS provision in March 2025, which is a 2% decrease from March 2024 the previous year of 11%. This is expected to significantly lower again for 2025/26.

INMSS Placements			
FY	2022/23 Baseline	2023/24	2024/25
New Primary / Secondary Placements (during phase transfer and excluding Tribunal orders)	20	0	0
New Post 16/19 Placements (new placements that moved from a non-INMSS provision or not previously in Education at the start of the FY, into a cost-effective Post 16/19 INMSS provision during the FY)	45	36	31
Total Placements (new and existing)	419	Projected 495	Projected 519
		Actual 366	Actual 325

This has been achieved as a result of:

- No new independent phase transfer placements for primary and secondary by the end of 2024/25 (excluding Tribunal orders).
- New [videos](#) showcasing local maintained special schools have been published to help families understand the high-quality provision on offer in local maintained schools, reducing reliance on INMSS.
- Local specialist places have increased by 14% since 2022/23, exceeding 2024/25 projections and on track for continued delivery planned until 2027/28. This includes the development of new SRPs and DUs in the borough.

Commissioning activity

In addition to the work to reduce demand on independent placements, services are being commissioned in support of the delivery of the various plans and strategies, including:

- Group tuition contract to cover the North and South of Hillingdon, offering additional choice for families and increased value for money through a reduction in travel costs. Delivery January 2026.
- Agreed a new collaborative agreement to delivery Children's Integrated Therapies, and services to support children from 0 to 19 years of age. This is a joint agreement between LBH, ICB, and CNWL (the Provider). This will support a very close partnership, focussed on meeting the needs of children and young people across the Borough in the most effective way, with services being co-designed with families, partners and stakeholders.
- SEND mediation services, where an interim solution is in place, delivering better value for money, and a long-term solution will be commissioned in 2026.

- An increase in Alternative Provision providers that is ensuring LBH is able to meet the needs of all children and young people, with an appropriate package of support, and maintain competition and market shaping to remain agile enough to meet any changing needs.
- Commissioning additional videos to showcase the specialist provision we have in mainstream schools (SRPs and DUs), which will be available in 2026.

PERFORMANCE DATA

Robust performance monitoring takes place weekly, monthly, quarterly and annually for statutory and non-statutory SEND service delivery and compliance. The targeted reports use 'Power BI' to assist management to scrutinise the data and support and challenge the teams to ensure that projections remain on track and resources are appropriately divided where required. These performance reports are monitored via the SEND Governance Boards.

RESIDENT BENEFIT

The effective management of the DSG directly supports all LBH residents with SEND needs to receive the right support, at the right time and in the right place. Robust measures continue to be monitored to ensure continuous improvement.

FINANCIAL IMPLICATIONS

The DSG is made up of four distinct funding blocks with specific grant funding guidelines. The High Needs block is only one of these blocks and currently the only block contributing to the DSG deficit position. Hence the focus on High Needs delivery strategy in the recovery plan for the DSG deficit.

The existence of the deficit provides challenges with budget setting and flexibility in meeting the needs of pupils or supporting schools and providers in other areas other than High Needs as we would want to.

The deficit is currently ring fenced from the LA's General Fund reserves by legislation and thus poses no current risk to the LA for the next two years whilst this is in place. However, were this legislation to be revoked, substantial DSG deficit will be a significant challenge to the LA. This makes the recovery strategy even more important.

LEGAL IMPLICATIONS

Relevant legislation:

- Children and Families Act 2014
- SEND Regulations 2014
- SEND Code of Practice 2015
- Equality Act 2010

BACKGROUND PAPERS

[School Organisation Plan - Leap](#)

[Local Area SEND & AP Strategy 2023-2028](#)

[Maintained special school videos](#)

APPENDICES

NIL.