

OPEN

Children and Families Committee

15 September 2025

DSG management plan 2025/26-2031/32 - Update

Report of: Dawn Godfrey, Executive Director of Children's Services.

Report Reference No: CF/32/25-26

Ward(s) Affected: All

For Scrutiny

Purpose of Report

- 1 To provide all members with an update of the Dedicated Schools Grant (DSG) management plan for the period 2025/26 to 2031/32 to reflect the financial outturn position and the reduced growth of Education, Health and Care plans (EHCP) numbers as at 31 March 2025.

Executive Summary

Cheshire East DSG Management Plan

- 2 The DSG management plan has been reprofiled to take in to account of the reduced growth of EHCP numbers (6.4% EHCP growth – 1.6% lower than anticipated) and a lower high needs deficit position than forecast as at 31 March 2025 (£6.4 million reduction in the high needs deficit position – giving a position of £113.7 million high needs block deficit).
- 3 The overall DSG deficit figure reported within the accounts at 31 March 2025 is £112.1 million. This is made up of high needs block deficit of £113.7 million plus an underspend on the early years block of £1.6 million.
- 4 The plan covers a seven-year period from 2025/26 to 2031/32. Previous versions of the plan have covered a seven-year period from 2024/25 to 2030/31.
- 5 The table below shows the reprofiled forecast of the cumulative deficit position, both unmitigated and mitigated and the impact of mitigations.

6 The previous version of the plan forecast a deficit position of £236.7 million at 2030/31. The reprofiled mitigated cumulative forecast deficit position is £205.4 million at 2030/31, a reduction of £31.3 million.

7 By 2031/32 this plan gives a forecast of £197.6 million.

Reprofiled September 2025 (based on outturn 31.03.25)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
	£m	£m	£m	£m	£m	£m	£m	£m
Unmitigated cumulative deficit	112.1*	160.8	227.6	318.0	435.7	583.5	766.4	990.3
Mitigated cumulative deficit	112.1*	146.0	171.4	190.8	203.7	208.7	205.4	197.6
Impact of mitigations	-	(14.8)	(56.2)	(127.2)	(232.0)	(374.8)	(561)	(792.7)

*High Needs DSG deficit £113.7m plus underspend of Early Years DSG of £1.6m.

8 The overall strategy remains the same, of RIGHT SUPPORT, RIGHT PLACE, RIGHT TIME.

9 Elements of the plan include increased specialist provision. The timely opening of the provisions is reliant on circumstances which maybe out of our control and therefore carry a risk, such as delivering by the Department of Education, planning approvals and public consultations. Increased specialist provision include:

- (a) a new free special school, which will be delivered by the Department of Education (DfE).
- (b) Additional special school satellite sites.
- (c) Additional resource provisions/SEN units within mainstream schools.

RECOMMENDATIONS

The Children and Families Committee is recommended to:

1. Note and scrutinise the DSG Management plan for 2024/25 to 2030/31 (approved by Children and Families Committee on 29 April 2024) has been reprofiled/re-cast to reflect the lower number of Education, Health, and Care plans and the lower deficit position as recorded on 31 March 2025.
2. Note and scrutinise the impact of the reprofiling:
 - a. An in year balanced position by year 7 (2030/2031) is still achievable.
 - b. A reduced forecast deficit reserve position of £766.4 million unmitigated and £205.4 million mitigated by the end of March 2031.

- c. A forecast deficit reserve position of £990.3 million unmitigated and £197.6 million mitigated by the end of March 2032.
3. Note the mitigations within the original plan remain in place (approved by Children and Families Committee on 29 April 24).
4. Note the accounting override has been extended to 2027/2028, by which point the deficit reserve position is forecast to be £318 million unmitigated and £190.8 million mitigated.

Background

Cheshire East Reprofiled DSG Management Plan

- 10 Appendix 1 of this report provides detailed analysis of existing EHCPs and forecasts both financial and EHCP numbers, along with comparisons to previous versions of the plan.
- 11 The DSG management plan provides a reprofiled forecast for both an unmitigated position and a mitigated position.
- 12 The unmitigated financial forecast is the do-nothing position. Whereas the mitigated financial forecast includes carefully considered interventions.
- 13 Total expenditure for 2025/26 is £96.8 million, against income of £64.5 million, forecasting an in-year deficit of £32.3 million and a cumulative deficit of £146 million.

Mitigations

- 14 All the mitigations within the plan have the strategic aim of RIGHT SUPPORT, RIGHT PLACE, RIGHT TIME, which is the focus of the recent DfE Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan.
- 15 Details of the mitigations have previously been reported along with progress updates. Appendix 1 of this report provides a reminder of the mitigation areas.

Consultation and Engagement

- 16 The Cheshire East Special Educational Needs and Disability (SEND) and Alternative Provision (AP) Strategy and Development Plan – “One Plan” (approved by Children and Families Committee June 2025) has been coproduced with key stakeholders, and they will continue to be involved

in helping us deliver our priorities and in evaluating what difference we are making.

- 17 We have continued to update our stakeholders on progress and deliver key updates as part of on-going network meetings, such as Schools Forum, head teacher network sessions both primary, secondary and Special/AP, SEND conferences and governor forums.
- 18 The SEND an AP Partnership will ensure partners are aware of the issues and part of the design of any solutions.

Reasons for Recommendations

- 19 The DSG Management Plan will enable Cheshire East to:
- a. Comply with paragraph 5.2 of the DSG: conditions of grant 2025 to 2025 [DSG: conditions of grant 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/dsg-conditions-of-grant-2025-to-2025)
 - b. Monitor how DSG funding is being spent.
 - c. Highlight areas where local authorities may wish to review spending.
 - d. Form evidence-based and strategic future plans for the provision of children and young people with SEND.
 - e. Present complex funding information simply to schools forums and other external stakeholders.
- 20 The pressures on the DSG addressed through this management plan will also reduce the risk of future overspend on base budget of the SEND team, the Education Psychologists team and on school transport.

Other Options Considered

- 21 The table below sets out the issues:

Option	Impact	Risk
Do nothing (not produce a management plan)	<p>This is not acceptable as the DfE has made completion of a DSG management plan compulsory under certain criteria which the council has met.</p> <p>The needs of children and young people and their families are not considered</p>	The council would not be demonstrating commitment to managing the issues.

Subsidise DSG from other local funding sources	This may help to reduce the DSG deficit but increase pressure on other areas which were not intended to fund high needs. This is unlikely to address the extent of the budget pressure.	The true high needs funding gap is not recognised and there are unaffordable pressures on other budgets or the council's general reserves.
Not develop mitigations	<p>The council would be leaving itself in an unacceptable position in terms of overall reserves and not demonstrating a commitment to manage the DSG reserve deficit.</p> <p>In addition, the developing needs of children and families would not be considered</p>	The council would be reliant on the DfE meeting the full ongoing costs of the DSG Deficit which is unlikely to happen.

Implications and Comments

Monitoring Officer/Legal/Governance

- 22 The local authority currently receives funding for schools through the Dedicated Schools Grant, paid to the Council by the Secretary of State under the Education Act 2002. It is a specific ring-fenced grant given outside the local government finance settlement. The terms of the grant require it to be used to support schools' budgets for purposes defined in regulation 6 and schedule 2 of The Schools and Early Years Finance (England) Regulations 2022, and must have regard to DfE guidance as out lined in paragraph 18 above.
- 23 Under the Local Government Finance Act 1993, the council has a statutory duty to use resources efficiently and effectively against priorities and to achieve a balanced budget. S28 (budget monitoring: general) of the Local Government Act 2003 requires the Council to review its calculations from time to time during the year and to take such action, if any, as it considers necessary to deal with any changes in its financial position.
- 24 The Education and Skills Funding Agency Guidance on DSG: Conditions of grant 2024-25, require any local authority with an overall deficit on its DSG account to present a plan to the DfE for managing their future DSG spend and to keep the schools forum regularly updated

about the authority's DSG account and plans for handling it including high needs pressures and potential savings.

Section 151 Officer/Finance

Accounting Override – Dedicated Schools Grant adjustment account (England)

- 25 The council holds usable and unusable reserves on the balance sheet. Usable reserves are cash backed whereas unusable reserves are not. Examples of unusable reserves are pensions and the revaluation of land and buildings.
- 26 In April 2020 Ministry of Housing, Communities and Local Government (MHCLG) introduced new legislation to switch the DSG deficit reserve from a usable to an unusable reserve and allowed the creation of an adjustment account on the balance sheet.
- 27 When MHCLG set up the accounting override it prevented local authorities from funding a DSG deficit from General Funds without the permission of the Secretary of State. It was made clear to council treasurers that this override was in place to allow time to find suitable arrangements to address the issue.
- 28 Since the override was first introduced, there have been two extensions to the date of removal, once to 31 March 2026 and most recently as part of the DfE spending review settlement, to 31 March 2028.
- 29 Without the override the size of the negative reserve for council expected as of 31 March 2028 would present a financial stability issue for the 2027/28 financial year. The council, like many throughout the country, does not have sufficient reserves to be able to cover the cost of the cumulative deficit if the override is removed.
- 30 The size of the deficit has negative cash flow implications for the council, as we are spending more money than we receive. This results in revenue interest costs linked to the cost of borrowing.
- 31 The impact on the council's revenue costs through the cost of interest in 2023/24 and 2024/25 totalled £7.6 million and is forecast to be in the region of £5.8 million in 2025/26. This cost will increase annually as the DSG cumulative deficit continues to increase.
- 32 As detailed in the Cheshire East MTFS the council is experiencing financial challenges at a scale that it has not faced before. This makes the approval and delivery of the DSG Management Plan imperative as the council is not in a position to be able to fund DSG pressures.

- 33 The council applied for Exceptional Financial Support (EFS) to the Secretary of State for Levelling Up. This application included a request to be able to capitalise the estimated cost of interest on the DSG deficit for years 2023/24 and 2024/25. This exceptional funding was used as part of the 2024/25 outturn.
- 34 A further application for EFS was submitted for 2025/26 highlighting the pressures which the council is facing, including the cost of interest on the DSG deficit. This has been approved in principle.

Human Resources

- 35 The SEND Transformation Team is not fully operational at this time as identified vacant posts for recruitment have not been approved. This is impacting on the capacity of the service to deliver. This is further compounded as the majority of these posts are grant funded and the grant will cease at some point in the near future.

Risk Management

- 36 A risk register is monitored by the 0-25 SEND and AP Partnership Board.
- 37 An impact on the council's base budget (council tax, national non-domestic rates and general grants) as a contribution may be required to manage the high needs pressures or DSG deficit reserve balance.
- 38 Service levels reduce as funding is not sufficient and future Ofsted inspections raise issues which damage reputation and result in the council being required to produce a "written statement of action" to remedy failings.
- 39 The council continues to make payments to settings but it is not able to fund them from the overall resources it has available.
- 40 The DSG Management Plan is based on a series of assumptions over EHCP numbers and average costs. These are subject to change and this risk will be mitigated through regular reviews of the plan.

Impact on other Committees

- 41 This report will be shared with Corporate Policy Committee on 2nd October 2025.

Policy

- 42 Local authorities are under a duty to ensure sufficiency of school places in their area (section 14 of the Education Act 1996).

- 43 The SEND Code of Practice (January 2015) provides statutory guidance on duties, policies and procedures relating to Part 3 of the Children and Families Act 2014 and associated regulations and applies to England.
- 44 The DfE issued the “SEND Review: Right support, right place, right time” - a SEND and AP green paper which is a consultation on the future of SEND services. The SEND Partnership response is in support of the proposals and promptly making those legal requirements will support the council in delivery of the necessary changes.
- 45 Following the green paper consultation in March 2023 DfE published their SEND and alternative provision improvement plan which sets out their plans to change the special educational needs and disabilities (SEND) and alternative provision system in England. The partnership will ensure we keep up to date with the DfE roadmap and change programme as this is progressed nationally. In addition the forthcoming schools bill (due for publication autumn 2025), will bring about changes to the statutory delivery of SEND.

<https://www.gov.uk/government/publications/send-and-alternative-provision-improvement-plan/send-and-alternative-provision-roadmap>

Commitment 1: Unlocking prosperity for all	Commitment 2: Improving health and wellbeing	Commitment 3: An effective and enabling council
1.3 Education, skills and life-long learning leads to employment and roles in the community	<ul style="list-style-type: none"> 2.4 Children and young people thrive and reach their potential with targeted support when and where they need it 	<ul style="list-style-type: none"> 3.1 Financially sustainable council, enabled by council-wide service transformation and improvement 3.2 Effective and responsive governance, compliance and evidence-based decision making

- 46 The statutory duties include:
- The need to undertake a needs assessment where a child may have additional needs.
 - To issue an education, health and care plan within 20 weeks where assessment provides evidence this is required to meet the assessed needs.

- c. The local authority must then secure an appropriate school place and must consult with parental preference.

Equality, Diversity and Inclusion

- 47 An Equality Inclusion Assessment has been completed previously for the DSG Management Plan, this is available on the website.
- 48 The SEND Code of Practice looks to ensure the assessed additional needs of children with special education needs are provided for, to enable them to reach agreed outcomes.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

- 49 The council has approved its Children's Vision which contains a priority around children with additional needs.
- 50 The Cheshire East Special Educational Needs and Disability (SEND) and Alternative Provision (AP) Strategy and Development Plan – "One Plan" (approved by Children and Families Committee June 2025) has been coproduced with key stakeholders, and they will continue to be involved in helping us deliver our priorities and in evaluating what difference we are making.

Other Implications

- 51 There are no direct implications for public health, rural communities or climate change.

Consultation

Name of Consultee	Post held	Date sent	Date returned
<i>Statutory Officer (or deputy) :</i>			
Ashley Hughes	S151 Officer	07/08/25	28/08/25
Kevin O'Keefe	Director of Law and Governance (Monitoring Officer)	07/08/25	27/08/25
<i>Legal and Finance</i>			

Jennie Summers	Legal Team Manager (People)	28/07/25	11/08/25
Diane Green	Finance Manager	28/07/25	29/07/25
<i>Other Consultees:</i> <i>Directors</i>			
Dawn Godfrey	Executive Director Childrens Services	25/07/25	14/08/25

Access to Information	
Contact Officer:	Alex Cooper alex.cooper2@cheshireeast.gov.uk
Appendices:	Appendix 1 – Reprofiled DSG management plan
Background Papers:	<p>Cheshire East SEND and AP One Plan and appendix – C&F Committee 9 June 2025</p> <p>CEC Report Template</p> <p>SEND Strategy 2021-2024 - draft (002).docx</p> <p>DSG Management Plan Update 2024/25 to 2030/31 and appendix – C&F Committee 11 November 2024</p> <p>CEC Report Template</p> <p>Appendix 1 - DSG Management Plan Update.pdf</p> <p>DSG Management Plan 2024/25 to 2030/31 and appendix – C&F Committee 29 April 2024 - CEC Report Template (cheshireeast.gov.uk)</p> <p>Appendix 1 - Safety Valve DSG Management Plan.pdf (cheshireeast.gov.uk)</p>