

Children and Families Committee

18 September 2023

Dedicated Schools Grant Management Plan 2023/24 to 2027/28

Report of: Deborah Woodcock, Director of Children's Services

Report Reference No: CF/12/23-24

Ward(s) Affected: All Wards

Purpose of Report

- 1 To request approval of the updated Dedicated Schools Grant (DSG) Management Plan for the period 2023/24 to 2027/28 by Children and Families Committee.
- 2 This report and appendix 1 provide Children and Families Committee with an updated DSG Management Plan covering the five-year period 2023/24 to 2027/28 and requests approval of the plan.
- 3 Throughout the report and appendix there are several abbreviations. A glossary has been included at the end of appendix 1 for reference.
- 4 This report should be read alongside the refreshed SEND Strategy and SEND Sufficiency Statement which are both presented at the same committee, 18 September 2023.

Executive Summary

- 5 **There are six key messages in this report:**
 - (i) As a result of a national high needs funding shortfall, where funding has not matched demand, the council's DSG reserve deficit is forecast to be one and a half times the annual allocation at the end of 2023/24, £91.2 million based on a grant of £56.1 million. This deficit is forecast

to increase in value and it is not recoverable under current forecasts.

- (ii) The council took part in the Department for Education's (DfE) Delivering Better Value programme (DBV) during 2022/23. The external DBV consultants validated the forecasting work done by the council. The programme included the opportunity to bid for funding. As a result, Cheshire East have been awarded £1 million in the form of a grant to support a transformational change programme with the aim of becoming more sustainable in the future.
- (iii) However, despite the engagement in the DBV programme opportunities identified within the programme were not sufficient with the current mitigations within the DSG management plan, to address the recurring in-year overspends and deficit position. This report highlights that fundamental changes to funding levels is essential along with additional capital funding to increase specialist places, and changes in culture and activity is required.
- (iv) The current position is not sustainable, and the deficit is being managed through a temporary accounting override. The arrangements beyond March 2026 are not confirmed by the Department for Levelling Up, Housing and Communities (DLUHC).
- (v) There are no current national arrangements for this deficit to be addressed, and use of local funding is not viable. Currently there is insufficient general fund balance (reserves).
- (vi) Cheshire East have recently been invited to take part in the Safety Valve intervention programme with the DfE this year and confirmed acceptance back to the DfE on the 7 August. An initial meeting with the DfE will be held by early October 2023 and will build on the work and priority areas identified through the DBV programme. Being part of the Safety Value programme we will need to demonstrate sufficiently that their DSG management plans create lasting sustainability, including reaching an in-year balance as quickly as possible, and will provide improved support for children and young people, then the department will enter into an agreement with the authority, subject to Ministerial approval. This will require a fundamentally rewritten management plan, which will be presented to Full Council on the 11 December for approval.

SEND Strategy

- 6 The SEND strategy has been refreshed to include priority actions relating to the mitigations with the DSG management plan. The refreshed strategy is to be taken to the Children and Families Committee on 18 September 2023.

SEND Sufficiency Statement

- 7 SEND sufficiency statement has been updated to reflect the growing demand for specialist SEND provisions and identifies the shortfalls across the borough. This information enables us to:
- Assess the needs of our children and young people in Cheshire East.
 - Evaluate how well our current provision meets young people's needs and identify any gaps.
 - Support to plan how we will continue to develop our provision over a three-year period starting in 2023-2026 so that we can achieve the best outcomes for our children and young people
- 8 The SEND Strategy, SEND sufficiency statement and dedicated school's grant are all key drivers in the council's priority to empower and care about people, with a focus on:
- Working together with residents and partners to support people and communities to be strong and resilient
 - Reducing health inequalities across the borough
 - Supporting all children to have the best start in life
 - Increasing opportunities for all children and young adults with additional needs
 - Ensuring all children have a high quality, enjoyable education that enables them to achieve their full potential.

The SEND sufficiency statement is to be taken to the Children and Families committee on the 18 September 2023.

DfE Interventions

- 9 The increase in numbers and complexity of need for children with Education and Health Care Plan (EHCPs) that have their

identified needs met through the DSG high needs grant has significantly exceeded the funding received for that purpose.

- 10 This situation has occurred over the last seven years with several factors contributing to it locally including a significant lack of specialist places, high rates of needs assessments, parental expectations and more generally the high needs funding allocation which is not linked to EHCP numbers.
- 11 This is a national issue and as a result most councils are now facing significant deficits on their DSG reserves as recurring overspends are transferred to it each year.
- 12 This has prompted the DFE to take a number of actions:
 - They released a DSG Management Plan template in 2020 to help councils set out their forecast spending pressures, income levels and DSG reserve deficit. From 2022 any council with a deficit DSG reserve (or a significant decrease in their reserve) must produce a management plan. The first version of the plan was approved by Cheshire East Cabinet on 9 March 2021. A second version of the plan was approved at Children and Families Committee on 23 September 2022.
 - They have also introduced two support schemes for councils:
 - Delivering Better Value – for councils with significant DSG deficits. This started in July 2022. 55 local authorities were invited to join the DBV programme in 2022.
 - The Safety Value - for councils with very high DSG deficits. This started in 2021. There are 34 local authorities who have safety valve agreements in place. There are a further 5 local authorities including Cheshire East who have been invited to participate in the scheme in 2023.
- 13 The aim of the Safety Valve intervention programme is to agree a package of reform to improve the performance of local authorities' high needs systems and to ensure it is delivered in a sustainable way, for the benefit of children and young people, whilst bring DSG deficits under control.

Cheshire East DSG Management Plan

- 14 The management plan is based on a series of assumptions relating to growth in demand, expected costs and the impact of mitigations. This allows medium term forecast expenditure and income level to be compared to establish the overall funding deficit. The plan assumes the deficit is carried forward each year into the next financial year and adds to the pressure.
- 15 The High Needs DSG allocation for 2023/2024 is £56.1m.
- 16 The overall strategy will remain to stay focused on key priority areas however we recognise that this is not sufficient to meet need within budget. A revised enhanced plan that will be produced within the Safety Valve programme to address the priority areas whilst working to increase local provision and enhance special educational needs and disabilities (SEND) support services to ensure needs are met in the most effective way.
- 17 For Cheshire East the DSG reserve deficit as of 31 March 2023 is £46.9m. The forecasts in this report demonstrate that, even with a significant number of mitigations factored in, the expected increase in demand and resulting costs is forecast to continue to exceed the funding provided by the DfE. This is illustrated in the table below:

While mitigations make a significant difference, the DSG Deficit Reserve increases over the medium term and is not recoverable

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Unmitigated DSG Deficit	91.2	159.8	255.2	379.6	535.7
Mitigated DSG Deficit	85.9	131.6	186.0	243.5	306.9
Difference	(5.3)	(28.2)	(69.2)	(136.1)	(228.8)

- 18 As shown above the Cheshire East DSG reserve deficit will be at £306.9m by 31 March 2028 even with an ambitious level of mitigations being achieved.

While mitigations make a significant difference, in year expenditure increases over the medium term and is not sustainable for the council

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Unmitigated in year Expenditure	100.4	126.5	154.9	185.8	219.3
Mitigated in year Expenditure	95.1	103.5	114.0	118.8	126.7
Difference	(5.3)	(23.0)	(40.9)	(67.0)	(92.6)

RECOMMENDATIONS

The Children and Families Committee is recommended to:

1. Approve the current DSG Management Plan for 2023/24 to 2027/28, which forecasts a deficit reserve position of £536m unmitigated and £307m mitigated by the end of March 2028. There is a full breakdown of the forecast for income and expenditure in appendix 1 paragraph 22. This is a requirement of DfE.
2. Note the need to pursue additional capital funding and review the capital programme to identify additional projects which could be included in DSG management plan as determined by the SEN sufficiency statement.

The council has updated the SEN sufficiency statement for 2023/24 to 2025/26. This will set out the additional provision needed over the next three years to further mitigate the overspend and require significant capital investment to deliver).

3. To delegate to the Executive Director of Children's Services authority to undertake any consultations deemed necessary to facilitate implementation.
4. To note, the Chief Executive, Executive Director of Children's Services and the Section 151 Officer will continue to raise the financial issues with the DfE and the Department for Levelling Up, Housing and Communities (DLUHC).
5. To note, the acceptance of invitation to join the Safety Valve intervention programme.
6. To approve an onward journey for a revised version of the DSG management plan to include Safety Valve to be presented to Council on 11 December 2023.

Background

- 19 The accounting override (referenced in section 5 above) allows councils to hold the deficit on the council's balance sheet, but it should be noted that there is still an impact on cash flow as a result of needing to pay out more money than we receive. There will be financial impacts of either interest payable, or loss of interest income, which will increase as the deficit increases.
- 20 Central high needs funding has increased in recent years but not by enough to keep pace with the growth in EHCPs. The DfE apply an increase to local authorities' high needs budget at the same set percentage for every authority. This does not reflect the differences in the rate of increase in EHCPs across authorities. EHCPs in Cheshire East have increased by 122% from 1,812 to 4,029 from 2018 to 2023 and the budget increased by 71% from £33.1m to £56.7m over the same period. These figures include additional high needs funding over the last two years which has been received with specific grant conditions which includes a 3.4% increase on place funding and top up funding for special schools.
- 21 The DSG High Needs allocation for 2023/24 is £56.7m, £11.8m is allocated for high needs mandatory place funding (funding allocated to planned high needs places within our special schools and further education colleges (FE)), leaving a balance of £44.8m to support the needs of children and young people as stipulated in their EHCP.
- 22 To illustrate the insufficient funding if we split the £44.8m across the forecasted number of EHCPs for 2023/24, the average available funding per EHCP would be £9,600 per annum.
- 23 To put this into context, average funding in a mainstream setting is £7,536 per annum which is the lowest cost of possible provision. The average cost of a non-maintained special school/ Independent Special School/Specialist post 16 Institute (NMSS/ISS/SPI) is approx. £60,000.

DSG Management Plan Update

- 24 The council produced its first DSG Management Plan for 2021/22 to 2024/25 and that was agreed by Cabinet on 9 March 2021.
- 25 The DSG Management Plan for 2022/23 to 2026/27 was agreed by Children and Families Committee on 23 September 2022.

- 26 The forecasts of demand, costs and mitigating actions have been refined through ongoing review and the council has produced an updated DSG Management Plan covering the period 2023/24 to 2027/28 for approval by Children and Families Committee.
- 27 While the plan has been subject to refinement the key messages over significant funding deficits remains the same. Unless funding levels, demand and capacity to deliver mitigations (such as new special schools) change it will not be possible to recover the deficit position.
- 28 The new plan forecasts an unmitigated DSG Reserve deficit of £533m by 31 March 2028 and a mitigated deficit of £304m by 31 March 2028.
- 29 The plan will form the basis for ongoing engagement with interested parties including the DfE, the Cheshire East Schools Forum and the SEND Partnership Board, over the coming months.

Key Updates to the Plan

- 30 The table below details any updates to the plan since the Cabinet version and Children and Families Committee version (September 2022) and these are outlined below.

Issue	Cabinet – March 2021	Children and Families Committee – Sept 2022	Children and Families Committee – Sept 2023
Education, Health and Care Plan (EHCP) data	The original plan was based on in year data in late 2020.	The plans are now based on the latest statutory January 2022 SEN2 return.	The plans are now based on the latest statutory January 2023 SEN2 return.
EHCP forecasts	This used percentage increases for each age group.	Changed to a fixed increase each year to reflect trends. A figure of 600 net more plans per annum has been used.	Fixed rate increase of 617 net more plans per annum has been used. The allocation across provision type is based on

Issue	Cabinet – March 2021	Children and Families Committee – Sept 2022	Children and Families Committee – Sept 2023
			actuals for 2022
Outturn information	Latest information was 2019/20.	Latest information is 2021/22.	Latest information is 2022/23
Budget information	Latest information was 2021/22.	Latest information is 2022/23.	Latest information is 2023/24
Average cost information	Based on information during 2020/21.	Based on information for 2021/22.	Based on information for 2022/23.
Annual increases in high needs funding	Local estimates based on indications in DfE documents – and different assumptions for mitigated / unmitigated.	This has been set by the DfE as 5% in 2023/24 followed by 3% per annum after that.	3% increase has been applied each year
High Needs income adjustments	High needs funding has been adjusted for the increased number of special school places, as they form part of the high needs national funding formula, in addition to a percentage increase.	Same approach taken.	Same approach taken. A change has been made regarding the national funding formula whereby funding is increased by £4,000 per place rather than £10,000 which was originally used.

- 31 Further details on the management plan are shown in **Appendix 1** to this report.

The Cheshire East Strategy

- 32 The overall strategy adopted by the council remains broadly the same as in the initial plan. The two main aims are to increase local provision and enhance SEND support services to reduce the rate of growth of EHCPs to ensure needs are met in the most effective way: right support, right place, right time and were endorsed by the work completed within the Delivering Better Value (DBV) programme.
- 33 These form the basis for the mitigating actions in the plan. Increasing local provision is an invest to save measure with additional costs from local provision being offset by reductions on expenditure with independent specialist providers.
- 34 The SEND strategy has been refreshed to include priority actions relating to the mitigations with the DSG management plan. The refreshed strategy is to be taken to the Children and Families Committee on 18 September 2023 for approval to start the consultation process.

The Mitigations

- 35 The plan contains a series of mitigations which are designed to achieve the strategy through managing needs at the necessary level and where necessary ensuring cost effective provision is available to meet those needs. There is a particular emphasis on reducing the rate of growth of EHCPs or escalation of support levels where they are not required and ceasing plans where needs can be met without an EHCP.
- 36 The mitigations can be broken down into several categories, further information on mitigations can be found in the attached appendix.

Progress Update

- 37 As part of the DBV programme
- Our unmitigated financial and EHCP forecasts within our DSG management plan were verified, Newton (the DfE's programme delivery partner) confirmed that Cheshire East Council's projections resulted in a similar future expenditure as the DBV projections. This was largely due to similarities in projection methods.

- The Chartered Institute of Public Finance and Accountancy (CIPFA) advised Cheshire East to take a prudent approach with the existing mitigations during the assessment session. This was to take into account the current progress and existing and/or potential barriers to plans within the DSG management plan.
 - As part of the DBV programme, the use of the high needs block has undergone a due diligence and an accounting practice process conducted by CIPFA. No issues were identified.
- 38 The intensive engagement and pressure on resource and capacity in the DBV programme did create some delays to mitigations activity, and it was deemed to be beneficial to wait for the findings of the DBV programme to identify if our efforts were targeting the correct areas. One of the recommendations received from the DBV programme is not to try to do too much at the same time, and advice given to us is to focus on a smaller number of mitigations but with the same theme.
- 39 Further progress of mitigations can be found in Appendix 1 however, below provides a high-level summary on progress since the plan was introduced.
- The creation of 13 enhanced mainstream provisions.
 - The creation of 55 additional resource provision places.
 - An additional 198 special school places are either in use or in progress.
 - 2 new DfE free school special schools, totalling 120 places have been secured through the DfE bidding process.
 - The creation of 80 supported internships across the 2021/22 and 2022/23 academic years.
- 40 In terms of forecasting, inevitably the roll out of new provision and new mitigations does take time and the EHCP growth was much higher than predicted in 2022/23, but also the allocation across provision types has had an impact. We saw a higher number of EHCP placements in NMSS/ISS/SPIs. As a result the 2022/23 outturn deficit position was £3.1m above the mitigated forecast. However, the outturn deficit position was £6.1m below the unmitigated position.
- 41 Other key areas that have progressed across the wider children's directorate include the successful bid application for the Family Hubs Local Transformation Fund, which aims to ensure that our families have the right support at the right time from the right

people. Our partnership principles, priorities and measures for success are monitored by our Family Hub strategic board.

- 42 Family Hubs are being rolled out across 2 locality areas, split into smaller defined areas known as collaborative areas. Each locality has 4 collaborative areas totalling 8 across the borough. A collaborative is a defined area in which data is analysed, local intelligence is gathered and key stakeholders within an area identify the top priorities and work together as a partnership to have a positive impact on the outcomes of children and families.
- 43 In Cheshire East we are also having a family hub with a specialist SEND designation. Monks family hub will be our South locality SEND centre of excellence that will lead the way in shaping the delivery of SEND support across our borough through analysing gaps and pressure points within SEND support systems and trailing new ways to overcome.
- 44 We have restructured our internal strong start teams around the delivery of our family hubs principles the restructure has focused on inclusion being the golden thread through our service delivery and making every contact count, so we reduce the number of times our families have to tell their stories and we adopt a relational approach to our service delivery.
- 45 We have a newly developed early years workforce who will all be trained as portage practitioners to deliver a portage home visiting service and develop a portage training offer to support our early years providers to enhance inclusive practice by gaining the national portage approval (NPA) stamp of approval scheme.
- 46 Portage is a home-visiting educational service for pre-school children with SEND and their families. Portage aims to:
 - work with families to help them develop a quality of life and experience, for themselves and their young children, in which they can learn together, play together, participate and be included in their community.
 - play a part in minimising the disabling barriers that confront young children and their families.
 - support the national and local development of inclusive services for children
- 47 The NPA stamp of approval scheme is an award given to early year's settings who have demonstrated they deliver inclusive early years education based upon portage principles.

- 48 The Early Years Forum has been transformed from a health notification panel to a multi-agency panel that assesses and monitors the provision of early years children who are identified as having complex SEND needs. The Early Years forum reforms have been co-produced by a task and finish group involving representatives from health, the local authority, Early Years settings and the Parent Carer Forum. The revised Early Years forum is due to start in September 2023. The Early Years forum will be chaired by our SEND panel managers to ensure there is a seamless process between the Early Years forum and SEND panels when a child is identified as having needs beyond SEND support.

Comparative Data on DSG Reserve Deficits

- 49 In April 2022 the Society of County Treasurers (SCT) completed a survey of council DSG deficits. An update of this work will be carried out for the end of 2022/23 balances but has not been started by the SCT yet.
- 50 A recent survey conducted across the Northwest (NW) showed that seventeen LAs were holding combined deficit balances totalling £177m. Five LAs held surplus balances totalling a combined £17m.
- 51 Of the NW LAs which already held a deficit balance at the end of 2021/22 and reported an in-year deficit again during 2022/23, the average increase in their cumulative deficit position was a further 72% at the end of March 2023. The increase in the deficit balance for CEC between 31 March 2022 (£26m) and 31 March 2023 (£47m) was 82%.

Comparative Data on EHCPs

- 52 The table below shows the proportion of EHCPs and SEN support (SEN support without an EHCP) per 2–18-year-old population. A SEND Support plan can be drawn up by a class teacher, with the advice of a SENCO where appropriate, to help the parent and the school identify the child's needs and interventions to meet them. It is a teaching and learning plan and should set out goals and actions for the child that are different from or additional to those that are in place for the rest of the class.
- 53 The proportion of EHCPs across England has increased from 2021/22 to 2022/23. Cheshire East has seen a higher increase than national statistics.

- 54 Cheshire East has a much lower proportion of SEN support plans, compared with national levels.

		2021/22	2022/23
Cheshire East	EHC plans (%)	4.1	4.7
	SEN support/SEN without an EHC plan (%)	9.4	9.9
England	EHC plans (%)	4.0	4.3
	SEN support/SEN without an EHC plan (%)	12.6	13.0

- 55 If we apply the national proportions to Cheshire East's population, the number of plans would be 3,686. This is 343 less plans than Cheshire East had in January 2023 (4,029).

Sensitivity Analysis

- 56 The latest DSG Management Plan is based on a forecast that assumes growth of EHCPs by 617 net more plans per annum.
- 57 If that turns out to be more or less, then it will change the financial forecasts. However, more importantly the allocation across the different provision types impact on the financial forecast. Mainstream provision on average costs £7,536, whereas NMSS/ISS/SPIs cost on average £60,000 per annum. If more placements are made in NMSS/ISS/SPI, the forecast will be substantially higher.
- 58 The impact of this became highly evident when comparing the plan from last year 2022/23 to 2026/27 with the new plan 2023/24 to 2027/28, which takes the actual EHCP outturn position at the end of 2022/23 as the baseline starting position for the new forecast. An increase of 208 more EHCPs places in NMSS/ISS/SPIs, on average has increased expenditure by £12.5m. Over 5 years (not taking into account potential fee increases), this amounts to £62.5m

Where Next

- 59 As previously mentioned in this report, Cheshire East have been invited to take part in the Safety Valve intervention programme. Cheshire East have accepted the invitation. If an agreement is reached, local authorities are held to account for the delivery of their plans via quarterly reporting to the Department. If adequate progress is being made, authorities will receive incremental

funding to eliminate their historic deficits, spread out over the lifetime of the agreement (generally five financial years).

60 Cheshire East will need to demonstrate

- How Cheshire East will control their deficit and reach an in-year balance (as a minimum) on their DSG, and how quickly.
- How Cheshire East will contribute to the reduction of the historic deficit through use of DSG surpluses, in addition to reaching an in-year balance.
- How Cheshire East will ensure that the plan is deliverable, how it will be managed as it is implemented, and how this plan will improve support for children and young people with SEND. This includes agreeing who will be responsible for the ongoing monitoring of progress towards the agreement.
- A clear explanation of the financial support Cheshire East needs from the DfE to eliminate the historic deficit over the period of the agreement. This could include, if necessary, a request for some funding to help implement the proposal, as well as funding to eliminate the deficit directly, although it is not expected this will constitute a significant element of the total financial support requested.

61 Proposed timeline

- 7 August 2023 confirm intention to participate in the Safety Valve intervention programme
- 31 August 2023- submit Cheshire Easts latest DSG management plan and submit Cheshire East SEND strategy
- September and October 2023 produce a revised DSG management plan
- November 2023 present the revised DSG management plan to children and families committee
- 11 December present the revised DSG management plan to Council
- 15 December submit initial proposals of the DSG management plan to the Safety Valve programme

- 12 January submit final proposals to the Safety Valve programme
- If the proposal is approved by Secretary of State, Cheshire East will enter into an agreement. Agreements will be published in March 2024.

- 62 It is expected that a key benefit will be learning from other councils on successful strategies to manage demand and expenditure, and from the support of independent experts with some external funding to drive change.
- 63 The following table details 20 local authorities who have entered agreements under the safety valve intervention programme in 2022-23 and also details of their safety valve funding allocation.
- 64 There are 14 other local authorities who joined the safety valve programme in 2020-21 and 2021-22.

Council	2022-23 (£m)	2023-24 (£m)	2024-25 (£m)	2025-26 (£m)	2026 -27 (£m)	2027-28 (£m)	2028-29 (£m)	Total (£m)
Barnsley MBC	9.16	2.75	2.75	2.75	5.5			22.91
Bath and North East Somerset	7.68	1.65	1.65	1.65	1.65	1.65	3.29	19.22
Bexley LBC	11.96	2.56	2.56	2.56	2.56	2.56	5.13	29.89
Blackpool Council	1.55	0.47	0.47	0.47	0.93			3.89
Bolton MBC	2.64	0.79	0.79	0.79	1.58			6.59
Cambridgeshire CC	19.6	5.88	5.88	5.88	11.76			49
Croydon LBC	10.96	3.29	3.29	3.29	6.58			27.41
Darlington BC	2.48	0.74	0.74	0.74	1.49			6.19
Haringey LBC	11.96	2.99	2.99	2.99	2.99	5.98		29.9
Hounslow LBC	10.72	2.68	2.68	2.68	2.68	6.36		27.8
Isle of Wight Council	5.08	1.52	1.52	1.52	3.05			12.69
Kent CC	56.8	14.2	14.2	14.2	14.2	28.4		142

Medway Council	5.72	2.15	2.15	4.29				14.31
Norfolk CC	28	6	6	6	6	6	12	70
North Somerset Council	8.44	2.11	2.11	2.11	2.11	4.22		21.1
North Tyneside Council	7.8	1.95	1.95	1.95	1.95	3.9		19.5
Slough LBC	10.8	3.24	3.24	3.24	6.48			27
Southwark LBC	9.22	2.77	2.77	2.77	5.53			23.06
Torbay Council	6.16	1.55	1.55	1.55	3.1			13.91
Wokingham BC	8.04	1.72	1.72	1.72	1.72	1.72	3.45	20.09

- 65 The council has continued to discuss the high needs shortfall directly with the DfE at a series of follow up meetings on the first version of the plan, both through meetings held to take part in the DBV programme and indirectly through discussions over the costing override issue with the Department for Levelling Up, Housing and Communities (DLUHC).
- 66 In addition, the council is also part of a number of special interest groups including: the Society of County Treasures; the Society of Unitary Treasurers, the Northwest schools accountants group, the North West SEND leads group and the F40 Group (the 40 lowest funded education authorities). All these groups are making regular representations or conducting surveys on the issues.

Accounting Override – Dedicated Schools Grant adjustment account (England)

- 67 From the 2020/21 financial year the accounting arrangements for the deficit on the DSG grant were changed.
- 68 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.
- 69 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.

- 70 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.
- 71 The current override has been extended and will now end on 31 March 2026. Without the override the size of the negative reserve for council expected as of 31 March 2026 would present a financial stability issue for the 2026/27 financial year.
- 72 Depending on national progress on this issue and the impact of the support programmes the council may have to fund some high needs costs from other sources. However, this would not be acceptable given the scale of the issue.
- 73 The size of the deficit is making it potentially impossible to recover and represents a significant cashflow issue, and an unmitigated funding risk for the council.

Base Budget Pressures

- 74 The impact of the significant growth in pupils with an EHCP will also be experienced in base budget funded services including the SEN Assessment and Monitoring Team, the Education Psychologists Team, specialist services (such as SALT) and the home to school and SEN transport team.
- 75 Activity and staffing levels in those teams will be regularly reviewed and growth requested through the MTFs process as required.

Impact on Adult Social Care

- 76 Members are also asked to consider the medium to longer term impact of the significant rise in children with an EHCP on the Adults Social Care Service.
- 77 The potential for additional services to these young adults with associated costs is likely to form a pressure on the council's base budget.
- 78 This is also likely to be a national issue which may need to be raised in due course with central government but noting that

resolving the current high needs funding shortfall is the initial priority.

Consultation and Engagement

- 79 The first version of the report was approved by Cabinet on 9 March 2021. That version was shared with the schools forum on 10 June 2021 and shared with the DfE.
- 80 As the DSG Management Plan is updated annually, a second version of the report was approved by Children and Families Committee on 23 September 2022. That version was shared with the schools Forum on 20 September 2022.
- 81 The second version of the plan was also shared with the DfE via the DBV program work during the summer 2022.
- 82 A strategic DSG Management Plan board has been established, which has provided governance and steering throughout the DBV programme and continues to provide governance concerning the whole of the DSG Management Plan, Members of this board include Executive Director of Children's Services and S151 Officer.
- 83 SEND management team will be part of our internal monitoring process.
- 84 We have continued to update Schools Forum on progress and that will continue as part of ongoing refinement.
- 85 The SEND Partnership will ensure partners are aware of the issues and part of the design of any solutions.
- 86 DfE consultation on the reform of SEND and Alternative Provision closed in July 2022. The SEND Partnership submitted an extensive response to the proposals. 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. [Special Educational Needs and Disabilities \(SEND\) and Alternative Provision \(AP\) Improvement Plan](https://publishing.service.gov.uk) (publishing.service.gov.uk)

Reasons for Recommendations

- 87 In line with the issues being seen nationally, expenditure on pupils with SEND is increasing significantly as a result of higher demand and complexity.

88 This increase exceeds the DfE's funding allocations and has led to the council's DSG reserve being in a deficit position of £46.9m as of 31 March 2023. The expectation is that the deficit will continue to increase and cannot be recovered in the medium term under current expenditure and income forecasts.

89 The DfE management plan guidance advises that:

"The DSG: conditions of grant 2023 to 2024 paragraph 5.2, requires any local authority that has an overall deficit on its DSG account at the end of the 2022 to 2023 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education in handling that situation. In particular, the authority must:

- provide information as and when requested by the department about its plans for managing its DSG account in the 2023 to 2024 financial year and subsequent years
- provide information as and when requested by the department about pressures and potential savings on its high needs budget
- meet with officials of the department as and when they request to discuss the authority's plans and financial situation
- keep the school's forum regularly updated about the authority's DSG account and plans for handling it, including high needs pressures and potential savings
- The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.

We already share information through various forums and associations so we have good practice on which we can build.

90 The DSG Management Plan will enable Cheshire East to:

- comply with paragraph 5.2 of the DSG: conditions of grant 2022 to 2023,
- monitor how DSG funding is being spent,
- highlight areas where local authorities may wish to review spending,

- form evidence-based and strategic future plans for the provision of children and young people with SEND,
- present complex funding information simply to schools forums and other external stakeholders.

91 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

92 The table below sets out the issues:

Option	Impact	Risk
Do nothing (not produce a DSG Management Plan)	This is not acceptable as the DfE has made completion of a DSG management plan compulsory under certain criteria which the council has met.	The council would not be demonstrating commitment to managing the issues, proactively introducing mitigations and joining the DBV programme.
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 pressures on other budgets or the council's general reserves.
Not develop mitigations	The council would be leaving itself in an unacceptable position in terms of overall reserves and not demonstrating a commitment to manage	The council would be reliant on the DfE meeting the full costs of the DSG Deficit which is unlikely to happen.

Option	Impact	Risk
	the DSG reserve deficit.	

Implications and Comments

Monitoring Officer/Legal

- 93 The local authority has a statutory duty under S.42 of the Children and Families Act 2014 to secure the special educational needs provision described in a young person's Education, Health and Care plan, including commissioning the required provision to meet those needs.
- 94 The Secretary of State has power to provide 'financial assistance' for educational purposes under sections 14-18 of the Education Act 2002 ('the 2002 Act') and the standard means of funding is by the Designated Schools Grant which is paid under section 14 of the 2002 Act. Section 16 of the 2002 Act allows the Secretary of State to impose conditions of funding. The relevant regulations are The School and Early Finance (England) Regulations 2023 which apply in relation to the financial year beginning on the 1 April 2023.

Section 151 Officer/Finance

- 95 This is a joint Education and Skills and Finance report. All the Financial implications are contained within the report itself.

Policy

- 96 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.
- 97 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.

- 98 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.

Equality, Diversity and Inclusion

- 99 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.
- 100 The Code of Practice is likely to be changed as a result of the SEND and AP Green paper consultation.
- 101 An Equality Inclusion Assessment has been produced and is available on the website.

Human Resources

- 102 Due to the increased demand for needs assessments the workloads of staff in the SEND Assessment and Monitoring Team and associated support services remain high. This is making the ability to meet legal and statutory requirements remain a challenge. EHCP volumes increased by 37% from January 2021 to January 2022 and are expected to continue to rise.
- 103 As a result the Director of Education secured further base budget growth through the Medium-Term Financial Strategy for 2023/24 onwards.
- 104 The DBV grant of £1m is being used to fund several posts to facilitate the transformational change programme associated with the new DBV mitigations within the DSG Management Plan. These posts are on a two-year fixed basis.

Risk Management

- 105 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.

- 106 There are insufficient capital resources and / or capacity to deliver the additional changes needed to provide more places in the borough. This is a particular challenge if trying to bring the mitigations forward.
- 107 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.
- 108 The council continues to make payments to settings but it is not able to fund them from the overall resources it has available. This is a key issue to discuss with the DfE.
- 109 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.

Rural Communities

- 110 There are no direct implications for rural communities.

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

- 111 It is essential that the council makes best use of resources to ensure that children and young people receive the services they need and those services must be provided.
- 112 The council has approved its Children’s Vision which contains a priority around children with additional needs.
- 113 The SEND Partnership Strategy sets out the Partnership vision for meeting the needs of children and young people with SEND. This strategy has been refreshed to include the DBV opportunities and mitigations within the DSG Management Plan.

Public Health

- 114 *There are no direct implications for public health.*

Climate Change

- 115 Many pupils are educated out of borough at high costs and with long travel journeys. The SEND Provision plan is generating

additional in borough school places, but this is unable to match the increased level of demand. We do however have a high proportion of SEND pupils in our mainstream schools compared to other authorities.

- 116 All expansions take account of environmental factors for new schools.
- 117 Where possible systems that save on energy consumption will be considered, particularly for electricity.
- 118 The internal works required to update the building to make it fit for purpose will include a comprehensive review of the impact on climate factors.
- 119 Significant changes will take place which will require full compliance with the latest building regulations relating to such factors as insulation/heat loss and energy efficiencies. Such factors will be key considerations as the scheme is developed through to full handover.

Access to Information	
Contact Officer:	<p>Claire Williamson</p> <p>Director of Strong Start, Family Help and Integration and SEND</p> <p>Claire.williamson@cheshireeast.gov.uk</p>
Appendices:	<p>There is one Appendix to this report:</p> <p>Appendix 1 – Summary of the DSG Management Plan.</p>
Background Papers:	<p>DSG Management Plan 2022-23 – C&F Committee September 2022 - Decision report template (cheshireeast.gov.uk)</p> <p>Delivering Better Value Update C&F Committee March 2023 - Decision report template (cheshireeast.gov.uk)</p> <p>Schools Forum- SB FWG 20.09.22 Minutes FINAL (cheshireeast.gov.uk)</p>

	<p>SEND & AP Green Paper - SEND and alternative provision improvement plan - GOV.UK (www.gov.uk)</p> <p>Children and Families Committee 18 September 2023:</p> <ul style="list-style-type: none"> • SEN Sufficiency Statement • SEND Strategy Refresh • Capital Programme • School Capacity Return (SCAP) <p>This link provides information on Safety Valve agreements with other local authorities - Dedicated schools grant: very high deficit intervention - GOV.UK (www.gov.uk)</p>
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