

OPEN

## **Children and Families Committee**

**11 November 2024**

### **Dedicated Schools Grant Management Plan 2024/25 to 2030/31 Update**

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**Report of: Theresa Levey, Director of Children's Services**

**Report Reference No: CF/34/24-25**

**Ward(s) Affected: All Wards**

#### **Purpose of Report**

- 1 To provide all members with an update of the Dedicated Schools Grant (DSG) management plan for the period 2024/25 to 2030/31 to reflect the financial outturn position and the reduced growth of Education, Health and Care plans (EHCP) numbers as at 31 March 2024.

#### **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 (13.5% EHCP growth - 5.5% lower than anticipated) and a considerably lower deficit position than forecast on 31 March 2024 (£10 million reduction in the deficit position – giving a position of £79 million).
- 3 The overall strategy remains the same, of RIGHT SUPPORT, RIGHT PLACE, RIGHT TIME.
- 4 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

- 5 The table below shows the reprofiled forecast of the cumulative deficit position, both unmitigated and mitigated and the impact of mitigations.
- 6 The reprofiled mitigated cumulative forecast deficit position is £236.7 million, despite mitigations amounting to £836.3 million.
- 7 The mitigated deficit position in 2030/31 has reduced from £284.8 million to £236.7 million, a £48.1 million reduction.

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	£m	£m	£m	£m	£m	£m	£m
Unmitigated cumulative deficit	132.6	208.7	310.8	443.8	612.2	820.0	1073.0
Mitigated cumulative deficit	120.1	159.2	190.7	213.9	229.5	237.3	236.7
Impact of mitigations	-12.5	-49.5	-120.1	-229.9	-382.7	-582.7	-836.3

- 8 As previously reported, without support from the DfE/DLUHC we are unable to address the cumulative deficit position which is currently held in the statutory accountancy override.
- 9 Further detail of the mitigations and financial forecast can be found in Appendix 1.

### RECOMMENDATIONS

The Children and Families Committee is recommended to:

1. Note 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 2024.
2. Note the impact of the reprofiling:
  - a. an in year balanced position by year 7 is still achievable
  - b. a reduced forecast deficit reserve position of £1.07 billion unmitigated and £236.7 million mitigated by the end of March 2031
3. Note the mitigations within the original plan remain in place (approved by Children and Families Committee on 29 April 24).

4. Note the reprofiled DSG management plan has been sent to the Department of Education, to advise of the achievements to date and to demonstrate the impact of the reduced deficit position at 31 March 2024 and the reduced number of EHCPs at January 2024, compared with the original forecast.

## **Background**

### **DfE Safety Valve Intervention Programme**

- 10 The Safety Valve programme is a DfE Dedicated Schools Grant (DSG) deficit intervention which recognises the nationwide issues with the funding of special educational needs.
- 11 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.
- 12 The programme requires local authorities to develop substantial plans for reform to their high needs systems and associated spending, with support and challenge from the department, to rapidly place them on a sustainable footing. The authorities will be held to account for their reform and deficit reduction targets via regular reporting to the DfE. The DfE will help the local authorities with additional funding over time to contribute to their historic deficits, contingent on delivery of the reforms.
- 13 To be accepted into the programme the local authorities are required to:
  1. Produce a detailed plan to re-balance the Special Education Needs system and to reach a balanced DSG in year budget as soon as possible.
  2. Demonstrate how the local authority will contribute to the reduction of the historic deficit.
  3. Demonstrate how the local authority 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.

4. Provide 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.
- 14 If an agreement is reached, local authorities are held to account for the delivery of their plans via quarterly reporting to the Department.
- 15 There are now 38 local authorities who have safety valve agreements in place.
- 16 Cheshire East submitted their DSG management plan on 12 January 2024 along with a capital bid.
- 17 Cheshire East have not been able to demonstrate point 2 above; demonstrate how the local authority will contribute to the reduction of the historic deficit.
- 18 Cheshire East received a letter on 13 March 2024 from the DfE providing an update on Cheshire Easts Safety Valve negotiations.
- 19 Ministers decided that they are unable to enter into an agreement with Cheshire East at this time.
- 20 A meeting with the DfE and DLUHC took place on 20 March 2024. Both Departments resolved to continue to engage with Cheshire East and were clear that Cheshire East have not been rejected and will be subject to ongoing scrutiny and support.

### **Cheshire East Reprofiled DSG Management Plan**

- 21 The DSG management plan provides a reprofiled forecast for both an unmitigated position and a mitigated position.
- 22 The unmitigated financial forecast is the do-nothing position. Whereas the mitigated financial forecast includes carefully considered interventions. Cumulatively mitigations are forecast to amount to £836.1 million.
- 23 The unmitigated forecast position for 2030-31 shows total expenditure of £321.6 million against an expected grant of £68.6 million, resulting in an in-year deficit of £253 million and a total deficit reserve position of £1.07 billion.

- 24 The mitigated forecast position for 2030-31 shows total expenditure of £70.1 million against an expected grant (and school block transfer) of £70.7 million, resulting in an in-year surplus of £0.6 million and a total deficit position of £236.7 million.
- 25 The reprofiled mitigated deficit position in 2030/31 has reduced from £284.8 million to £236.7 million, a £48.1 million reduction.

## **Mitigations**

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

## **Safety Valve additional capital bid**

- 28 Cheshire East have been awarded £16.6 million to support specialist provision expansions which are included in and integral to the delivery of the DSG management plan.
- 29 All proposals within the capital bid will be subject to public consultation and the usual approval processes.

## **Consultation and Engagement**

- 30 As reported to Children and families committee on 16 September 2024, the new single SEND and AP Strategy and Improvement Plan will incorporate all mitigations identified in the DSG Management Plan that are required over the next 3 years (noting that the DSG Management Plan is a 7 year plan) and will clearly pull together and outline in a single document all of the improvement work to be carried out by the SEND Partnership over the next 3 years. In doing so, we will remove any confusion regarding multiple SEND improvement action plans and positively focus our resources in order to achieve successful improvements at pace.
- 31 We have continued to update schools and settings on progress and deliver key updates as part on-going network meetings, such as Schools Forum, head teacher network sessions both primary, secondary and Special/AP, SEND conferences and governor forums.
- 32 The SEND Partnership will ensure partners are aware of the issues and part of the design of any solutions.

## Reasons for Recommendations

- 33 In line with the issues being seen nationally, expenditure on pupils with SEND is increasing significantly as a result of higher demand and complexity.
- 34 This increase exceeds the DfE's funding allocations and has led to the council's DSG reserve being in a deficit position of £79 million as of 31 March 2024. This is forecast to be £120 million by 31 March 2025. The expectation is that the deficit will continue to increase and cannot be recovered in the medium term under current expenditure and income forecasts.
- 35 The DSG Management Plan will enable Cheshire East to:
- 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-2024-to-2025)
  - 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.
- 36 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

- 37 The table below sets out the issues:

Option	Impact	Risk
Do nothing (not produce a 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.

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	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.	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*

- 38 The legal implications and comments remain as stated in the previous reports on this matter. This report provides a further update as requested at the meeting on 3 June 2024 and is intended to provide members with ongoing oversight and assurance regarding the plan and actions associated with the DSG deficit.
- 39 It should be noted that the financial position upon which the previously agreed plan was profiled has been reprofiled, providing for an improved position regarding the deficit at this stage.

### *Section 151 Officer/Finance*

#### **Accounting Override – Dedicated Schools Grant adjustment account (England)**

- 40 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.

- 41 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.
- 42 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.
- 43 The current override has been extended and will now end on 31 March 2026, unless further extensions are announced. 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. The council does not have sufficient reserves to be able to cover the cost of the cumulative deficit if the override is removed.
- 44 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.
- 45 The 2023/24 closing DSG balance was lower than in the original management plan, and the end of 24/25 balance is also forecast to be lower. This is positive for both the delivery of the plan as well as for the financial impact of interest costs. The impact on the council's revenue costs through the cost of interest in 2023/24 was around £2.6 million and is forecast to be in the region of £5 million in 2024/25. This cost will increase annually as the DSG cumulative deficit continues to increase.
- 46 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.
- 47 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, which is now estimated to be £7.6 million.
- 48 This request has been approved in principle and if supported it will remove the cost of interest for these two years from the revenue costs and allow us to spread the cost over a longer timeframe. However this does not address the ongoing cumulative deficit, or the interest costs



which will continue to be a pressure in year 2025/26 and onwards linked to the deficit.

### *Policy*

- 49 Local authorities are under a duty to ensure sufficiency of school places in their area (section 14 of the Education Act 1996).
- 50 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.
- 51 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.
- 52 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.

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

- 53 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.
  - the local authority must then secure an appropriate school place and must consult with parental preference.

<p><b>An open and enabling organisation</b></p>	<p><b>A council which empowers and cares about people</b></p> <p><b>Support all children to have the best start in life.</b></p> <p><b>Increase opportunities for all children and young adults with additional needs.</b></p> <p><b>Ensure all children have a high quality, enjoyable education that enables them to achieve their full potential</b></p>	<p><b>A thriving and sustainable place</b></p> <p><b>Reduce impact on the environment.</b></p> <p><b>Thriving urban and rural economies with opportunities for all</b></p> <p><b>Be a carbon neutral council by 2025</b></p>
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*Equality, Diversity and Inclusion*

- 54 An Equality Inclusion Assessment has been completed previously for the DSG Management Plan, this is available on the website.
- 55 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.

*Human Resources*

- 56 A SEND Transformation team is currently being created to drive forward the programme of mitigations required to achieve financial sustainability in the future.

*Risk Management*

- 57 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.
- 58 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.
- 59 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.

60 The council continues to make payments to settings but it is not able to fund them from the overall resources it has available.

61 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*

62 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)*

63 The council has approved its Children's Vision which contains a priority around children with additional needs.

64 The SEND Partnership Strategy sets out the Partnership vision for meeting the needs of children and young people with SEND. This strategy was refreshed to include the DBV opportunities and mitigations within the DSG Management Plan in 2023.

65 As reported at the Children and Families Committee on 16 September 2024, a new single SEND and Alternative Provision (AP) Strategy and Improvement Plan 2025-27 (which will incorporate mitigations identified in the Dedicated Schools Grant Management Plan during this time period) is being developed.

### *Public Health*

66 There are no direct implications for public health.

### *Climate Change*

67 Many pupils are educated out of borough at high costs and with long travel journeys.

68 Where possible systems that save on energy consumption will be considered, particularly for electricity.

69 Any internal works required to update buildings to make them fit for purpose will include a comprehensive review of the impact on climate factors.

70 Any significant changes that may take place 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.

<b>Access to Information</b>	
Contact Officer:	<p>Claire Williamson</p> <p>Director of Strong Start, Family Help and Integration and SEND</p> <p><a href="mailto:Claire.williamson@cheshireeast.gov.uk">Claire.williamson@cheshireeast.gov.uk</a></p>
Appendices:	<p>There is 1 appendix to this report:</p> <p>Appendix 1 – Reprofiled DSG management plan</p>
Background Papers:	<p>DSG Management Plan 2024/25 to 2030/31 and appendix – C&amp;F Committee 29 April 2024 - <a href="#">CEC Report Template (cheshireeast.gov.uk)</a></p> <p><a href="#">Appendix 1 - Safety Valve DSG Management Plan.pdf (cheshireeast.gov.uk)</a></p> <p>Update on the progress of the DSG Management Plan 2024/25 to 2030/31 (Quarter 1) – C&amp;F Committee 16 September 2024 <a href="#">CEC Briefing Report Template (cheshireeast.gov.uk)</a></p> <p>Revised SEND Partnership and Governance - C&amp;F Committee 16 September 2024 - <a href="#">CEC Report Template (cheshireeast.gov.uk)</a></p> <p>Delivering Better Value Update C&amp;F Committee March 2023 - <a href="#">Decision report template (cheshireeast.gov.uk)</a></p> <p>SEND &amp; AP Green Paper - <a href="#">SEND and alternative provision improvement plan - GOV.UK (www.gov.uk)</a></p> <p>Children and Families Committee 18 September 2023:</p> <ul style="list-style-type: none"> <li>• SEND Strategy <a href="#">2. SEND Strategy.pdf (cheshireeast.gov.uk)</a></li> <li>• SEND Sufficiency Statement <a href="#">CEC Report Template (cheshireeast.gov.uk)</a></li> <li>• Capital Programme <a href="#">CEC Report Template (cheshireeast.gov.uk)</a></li> </ul> <p>This link provides information on Safety Valve agreements with other local authorities - <a href="#">Dedicated</a></p>

[schools grant: very high deficit intervention - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

DSG grant conditions 2024 to 2025 - [DSG: conditions of grant 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)