TOGETHER for Children and Young People

Together we will make Cheshire East a great place to be **young**

THE SEND REFORM PLAN

Financial Strategy



Cheshire East Council

1 Executive summary

Cheshire East continues to face a significant financial challenge within the High Needs Block (DSG), driven by growth in Education, Health and Care Plans (EHCPs), increasing placement costs, a shortage of local specialist provision, and limited growth in funding.

As at 31 March 2026, the cumulative DSG deficit stands at £155.943m, including an in-year deficit of £43.217m. This position has developed over a number of years and reflects a structural gap between the funding available and the cost of meeting statutory need. Demand continues to grow locally, in line with the national picture, with more children and young people requiring support and a greater level of complexity in need. At the same time, the cost of provision, particularly in the independent sector, continues to rise, with limited local capacity leading to ongoing reliance on higher-cost placements.

The current statutory accounting override allows the DSG deficit to be held outside of the Council's General Fund. This has been essential in enabling the Council to manage the position in the short term. However, the override is due to end in March 2028, creating a significant medium-term financial risk if a national solution is not put in place.

Despite the scale of local action set out in this strategy, the Council's underlying financial position in respect of the DSG deficit is not sustainable without a change in the national policy direction. When the statutory override ends in March 2028, the cumulative deficit would transfer to the Council's General Fund. In the absence of a fully funded national solution, this would place the Council in a position where it would be unable to set a lawful balanced budget. In these circumstances, the Section 151 Officer would be required to issue a Section 114 notice. This represents a significant and unmitigated financial risk to the Council.

The Government has indicated that a High Needs Stability Grant will be introduced, which could cover 90% of the eligible deficit at March 2026. While this offers a potential route to reducing the Council's risk, it remains subject to confirmation and does not address ongoing in-year pressures. As a result, local action to manage demand and control costs remains essential.

This Financial Strategy sits alongside the DSG Management Plan and the SEND Reform Plan and provides a single, joined-up framework for addressing both immediate financial pressures and longer-term sustainability. The DSG deficit is now a key part of the Council's Medium-Term Financial Strategy (MTFS), and the Council's ability to achieve overall financial resilience is directly linked to successfully managing High Needs pressures. SEND reform and the MTFS are therefore not separate issues, but part of the same approach and must be delivered together.

The strategy responds to these challenges through a clear set of system changes focused on five core system shifts:

- Demand control – reducing EHCP growth through stronger decision-making, early intervention, and effective annual reviews
- Sufficiency – expanding local specialist provision and inclusive mainstream practice
- Strengthening inclusion with our education settings
- Cost reduction – reducing reliance on high-cost independent placements and improving commissioning arrangements
- Embedding strong financial governance, accountability, and performance monitoring

Delivery of this strategy is dependent upon whole-system transformation, including inclusive mainstream practice, investment in local capacity, and reform of post-16 pathways.

Strong governance through the SEND Improvement and Assurance Board (SIAB), alongside clear accountability to the Section 151 Officer and Director of Children's Services, will ensure robust oversight and delivery.

Achieving financial sustainability will require sustained leadership, disciplined implementation, and continued alignment between financial planning and SEND reform.

2 Purpose and strategic context

This strategy sets out how the Council will support delivery of the SEND Reform Plan while putting the High Needs Block on a more sustainable footing. It reflects a whole-system approach, with the Council, ICB and health providers and education providers working together to improve outcomes and manage demand. It means that the financial strategy underpins the delivery of the SEND Reform Plan and supports sustainable system transformation across education, health, and care. It reflects:

- A system-wide, co-produced approach involving local authority, ICB, and providers
- Alignment with national expectations and submission requirements
- A need to balance immediate demand pressures with long-term financial sustainability

The strategy also sits within the wider Medium-Term Financial Strategy. This is important because the DSG position cannot be viewed in isolation as it directly affects the Council's overall financial resilience and its ability to deliver services more broadly.

3 How Cheshire East council will manage its finances (2026/27 to 2029/30)

The Council's overall financial approach is set out in the Medium-Term Financial Strategy and reflects both local pressures and the wider national context for local government.

A large proportion of the Council's spending is tied up in demand-led services, particularly social care and education and services for vulnerable residents. This means the Council's challenge is not solely to reduce expenditure, but to reshape services, manage demand, improve productivity and target resources more effectively to meet the statutory priorities.

The wider local government context remains challenging. Financial sustainability depends on recurring budget solutions, realistic planning assumptions, strong in-year control and the disciplined delivery of approved savings and transformation programmes. In order to create a credible route to financial resilience over the medium term, then Cheshire East Council needs to reduce the reliance on one-off measures, protect critical services, strengthens reserves and embeds a strong financial control environment across the organisation. The SEND reform plan's approach of managing demand, seeking financial resilience and embedding strong financial controls aligns directly with the council's overall approach.

4 Cheshire East Council strategic financial objectives

Cheshire East Council's strategic financial objectives are closely linked to the delivery of the SEND Reform Plan, with SEND transformation forming a key part of achieving overall financial sustainability. The first priority, to ensure full delivery of the approved 2026/27 budget, is directly supported through strengthened in-year financial control within the High Needs Block. The SEND Reform Plan contributes to this by embedding more robust decision-making processes around Education, Health and Care Plans (EHCPs), improving the quality and timeliness of annual reviews, and introducing tighter oversight of high-cost placements. These actions will result in more accurate forecasting, earlier identification of financial pressures, and timely intervention where risks emerge.

The council's requirement for Exceptional Financial Support (EFS) to balance the budget reflects the scale of the financial challenge, including the impact of the DSG deficit. The SEND Reform Plan supports the Council's objective of reducing reliance on EFS over time by addressing the underlying drivers of cost and demand in the High Needs Block. Through measures such as increasing local specialist provision, strengthening inclusion in mainstream settings, and reducing reliance on expensive independent placements, the plan is designed to slow expenditure growth and deliver recurring financial benefits. Any improvements in the DSG position will contribute to strengthening the Council's overall financial position and therefore reduce the need for continued EFS.

5 Reduce the structural budget gap

Reducing the structural budget gap is a key objective of the council's financial strategy and is closely supported by the SEND Reform Plan. The scale of the DSG High Needs deficit means that short-term balancing measures are not sufficient, and a shift is needed in how demand and cost are managed across the system. The SEND Reform Plan directly contributes to this objective through a focus on demand management, earlier intervention, and system redesign.

In addition, the plan supports structural reform through the expansion of local provision and the reduction of reliance on expensive independent placements. This links with the Council's wider focus on commissioning and financial discipline, meaning that children and young people receive appropriate support in the most cost-effective settings.

Exceptional Financial Support and other one-off resources are recognised as temporary measures and are not relied upon to address underlying pressures. Instead, the SEND Reform Plan is

designed to deliver recurring financial benefits that contribute to closing the structural gap over the medium to long term.

6 Rebuild reserves and financial resilience

The Council's approach to rebuilding reserves and strengthening financial resilience is influenced by the DSG deficit position. Whilst the deficit itself cannot be met from reserves, the SEND Reform Plan contributes to resilience by reducing the rate of expenditure growth and limiting further financial deterioration.

Therefore, the SEND Reform Plan is not only about achieving better outcomes for children and managing the DSG deficit, but also about contributing to the overall financial stability of the Council.

7 Governance, accountability and delivery

Strong governance and accountability arrangements are essential to the successful delivery of both the MTFS and the SEND Reform Plan. The SEND Reform Plan reflects the Council's wider approach by ensuring that each workstream has clear ownership, defined delivery milestones, and financial and operational benefits.

Oversight of SEND delivery is provided through the SEND Improvement and Assurance Board (SIAB), alongside senior executive leadership and the Section 151 Officer's oversight of the DSG Management Plan. This means that that performance, financial impact, and risk are closely monitored. Regular reporting on demand, cost, and delivery allows for early identification of issues and supports timely action if needed such as intervention in areas of overspending, strengthened financial controls, and ongoing review of costs.

Through this governance framework, the SEND Reform Plan is fully embedded within the Council's wider financial management arrangements, ensuring that delivery is robust, transparent, and aligned to corporate priorities.

8 Strategic outcome

Over the period 2026/27 to 2029/30, the Council's strategic objective is to move from short-term budget stabilisation to long-term financial resilience. The SEND Reform Plan is key to this, due to the scale of the High Needs funding challenge.

By addressing the factors of demand and cost, increasing local provision, and embedding inclusive practice, the plan aims to align expenditure more closely with available funding. This will support the Council's ambition to rebuild reserves and establish a more sustainable financial position. While the financial challenge remains challenging, especially in the short to medium term, the SEND Reform Plan supports the move towards improved financial stability and better outcomes for children and young people with SEND.

9 Risk management

There are a number of risks associated with delivery and these are outlined in the SEND reform Plan. These include the potential for demand to continue to grow, delays in developing new provision, and ongoing cost pressures.

There is also uncertainty around national policy, particularly in relation to the High Needs Stability Grant and future arrangements beyond 2028. The extent to which deficits are written off or supported will have a significant impact on the Council's financial position.

These risks are actively managed through the Council's governance arrangements and regular monitoring.

Appendix 1

Forecast Expenditure High Needs Block (£000)				
Financial Year	**2024-25***	**2025-26**	**2026-27**	**2027-28**
Mainstream school or academy placements	£20,717	£18,398	£19,674	£21,735
Support bases in mainstream settings	£660	£320	£507	£507
Specialist bases in mainstream settings	£3,459	£3,513	£4,829	£7,277
Maintained special school or special academy placements	£23,618	£22,449	£27,546	£28,130
NMSS or independent school placements	£33,900	£45,916	£41,197	£41,029
Alternative Provision placements	£1,586	£2,021	£2,732	£2,942
Hospital school placements	£951	£830	£943	£968
Mainstream Post 16 provision	£4,607	£4,779	£6,839	£7,631
Mainstream Post 16 specialist provision	£0	£0	£0	£0
Specialist Post-16 institutions	£0	£2,190	£4,521	£5,180
Elective Home Education (EHE)	£0	£0	£0	£0
Other arrangements by LA (EOTAS)	£0	£2,928	£2,977	£3,042
Health, social care, therapy services and care provision	£1,118	£1,001	£1,196	£1,196
Other spend	£3,266	£3,450	£3,644	£2,876
Total	**£93,882**	**£107.795**	**£116,607**	**£122,513**
Block transfers	-£1,428	-£1,537	-£2,392	-£1,595
Other income	£0	£0	£0	£0
Total net	**£92,454**	**£106,258**	**£114,215**	**£120,918**
Forecast Expenditure Total DSG (£000)				
Financial Year	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Outturn DSG expenditure	£426,405	£482,867	£512,583	£519,713
Total expenditure against DSG	£426,405	£482,867	£512,583	£519,713
Total expected DSG income	-£392,908	-£439,650	-£466,016	-£466,016
Other income	£0	£0	£0	£0
Total in-year surplus (+) or deficit (-)	**-£33,497**	**-£43,217**	**-£46,995**	**-£53,697**

*For 2024/25 the cost of provision type for ISS/NMSS, SPI and Other Arrangements by the LA, have not been split out and are shown under NMSS/ISS.