

## Manchester City Council Report for Resolution

**Report to:** [Schools Forum](#)

**Subject:** **High Needs Block Recovery**

**Report of:** **Directorate Finance Lead – Children’s and Schools**

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### Summary

The DSG Position report outlined that DSG has four separate funding blocks, of which one is the high needs block (HNB). The HNB collectively funds specialist education provision for children and young people up to 25 years old with Special Education Needs and Disabilities (SEND). The main areas of funding within the HNB are for:

- special school and further education (FE) college places
- top-up funding for nurseries, mainstream schools, special schools, FE colleges and independent schools linked to Education, Health and Care Plans (EHCPs)
- support for the provision of special services provided by schools and the LA, which include but are not limited to, the Sensory Service and resource provision in mainstream schools

Due to the continual growth in the HNB, pressures have been identified and there is a need to develop a robust recovery plan to provide efficient and effective use of HNB resources, to achieve maximum value for money. Supporting the overall objective of continuing to improve outcomes for children and young people with SEND and ensure there are enough quality specialist places and provision in the City.

This report provides detail on the current position and sets out the plans to close the current gap.

### Recommendations

All Schools Forum members are asked to note and comment on:

- High Needs Block outturn forecast as at Period 5 (August 2020) 2020/21
- Pressures on the High Needs Block over the next three financial years: 2020/21 to 2022/23.
- HNB Recovery plan and proposed savings put into place to mitigate the pressures.

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

**Supporting Reports:**

16 November 2020	DSG Position
18 September 2020	School Funding Settlement 2021/22
20 January 2020	Dedicated Schools Grant 2020/21
13 May 2019	Update on SEND and the High Needs Strategic Review

## 1. INTRODUCTION

- 1.1 The HNB funds children and young people with special educational needs and disabilities from early years to age 25, who require provision that would not normally be available within the delegated resources of a mainstream school. It is also for pupils who would require additional targeted resources in order to meet their needs in a mainstream setting or placement in a specialist setting, such as a SEN resource unit or a special school. It enables both LAs and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality alternative provision (AP) for pre-16 pupils who cannot receive education in schools.
- 1.2 In recognition of the national pressures within this area, the Department for Education (DfE) have increased the HNB funding, in 2021/22 by a further £0.73bn, bringing the national high needs budget to over £8bn. This is in addition to the £0.7bn provided in financial year 2020/21. As reported to Forum in September 2020, every local authority in 2021/22 will receive an increase of at least 8% per head of population, compared to this year. Above this minimum increase of 8%, the formula will allow local authorities to see increases of up to a cap of 12%.
- 1.3 This report presents a recovery plan of the HNB to try to ensure that the DSG deficit can be recovered by 2022/23.

## 2. HIGH NEEDS BLOCK (HNB) 2020/21 – GROWTH IN DEMAND

- 2.1 Manchester's HNB financial pressures are mostly as a result of growth in Manchester's school SEND population. Within the school population, the October 2019 census showed that 16.7% of Manchester's school population have SEND (14,833 pupils). This was made up of 13.0% (11,560 pupils) who have needs met through SEND support and 3.7% school EHCP (3,273 pupils), please see table one below.

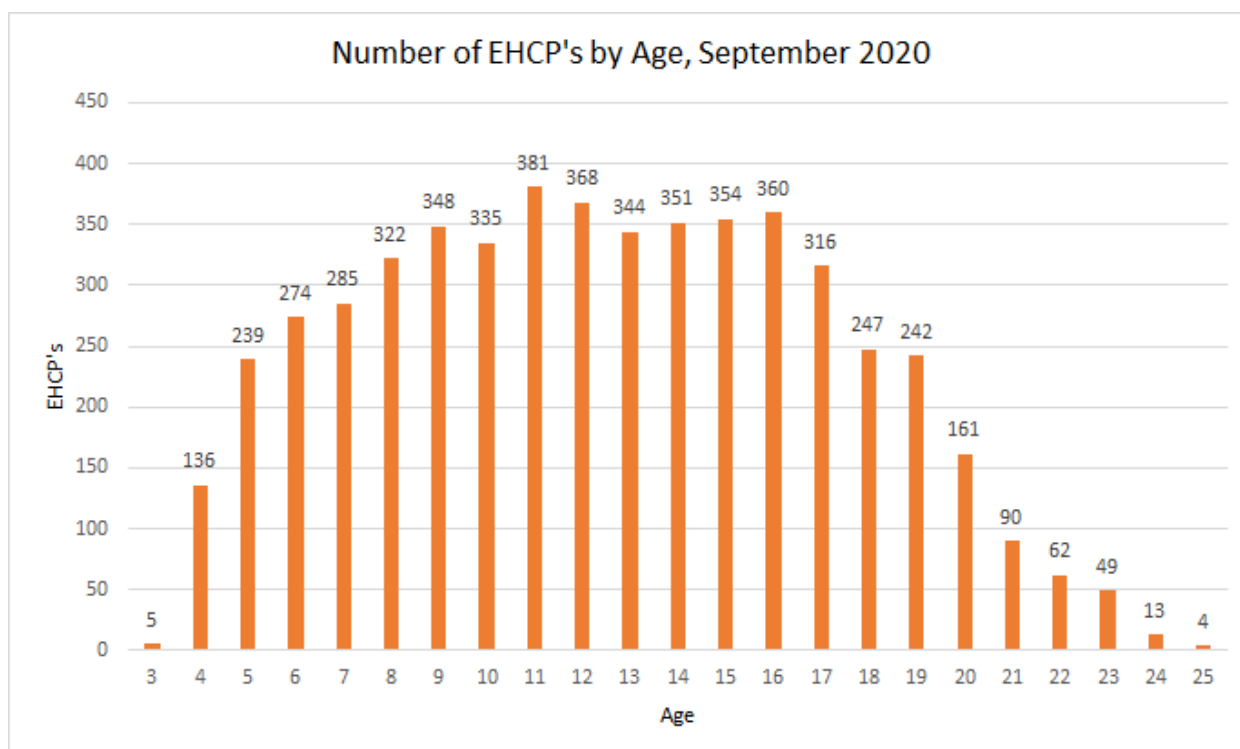
**Table One: Number of pupils with SEND in Manchester schools excludes colleges (Oct 2019 census) - Statutory School Age**

	2015	2016	2017	2018	2019	2020 As at January
<b>EHCP/Statement</b>	2,276	2,339	2,556	2,895	3,273	3,435
<b>SEND Support</b>	11,387	10,298	11,078	10,612	11,560	12,068
<b>All SEND</b>	<b>13,663</b>	<b>12,637</b>	<b>13,634</b>	<b>13,507</b>	<b>14,833</b>	<b>15,503</b>

- 2.2. **Meeting Need** - Growth in pupils with SEND is likely to continue year on year, which can be confirmed by the January 2020 census figures showing that 17.3% of Manchester's school population have SEND (15,503). This was made up of 13.5% (12,068 pupils) who have needs met through SEND support and 3.8% school EHCP (3,435 pupils). Within a four-month period from October 2019 census there were 162 new EHCPs finalised by January 2020, which is a 5% increase in the overall plans within Manchester schools.

2.3 The LA’s financial responsibility is wider than EHCP pupils in Manchester settings as detailed above, the LA is responsible for all EHCP Manchester pupils regardless of setting, whether at school, other LA setting or independent provider, up to the age of 25. The LA is financially responsible for a total of 5,286 pupils as at September 2020. Graph one below illustrates the 5,286 pupils over their age group, giving an indication of future commitment, potentially until students reach 25 years of age. Appendix one: EHCP Age Analysis Comparison 2019 and 2020, illustrates how these figures have increased for every age group compared to September 2019.

**Graph one: Number of pupils with EHCP maintained by Manchester City Council**



2.4. The HNB outturn forecast for 2020/21 at Period 5 is an in-year overspend of £1.86m, as illustrated in table two below. The main areas of overspend are:

- Education Health and Care Plans (EHCPs) at mainstream settings
- Post 16/Further Education (FE) college settings.

2.5 Due to significant growth in these areas, it has exceeded the anticipated demand as shown in table two below.

**Table two: High Need Block Period 5 2020/21 Budget Monitoring**

HNB 2020/21 Period 5 Overspend	2020/21
	£000s
EHCP Plan in Primary and Secondary Schools	1,122
Post 16/FE Colleges	736
<b>Total In-Year Overspend HNB</b>	<b>1,858</b>

- 2.6 **Increased complexity** - Alongside the growth surpassing the anticipated demand, there has been an increase in the complexity of cases within both mainstream schools and FE college settings. The scale of the financial pressures and the speed of expansion in the SEND population is demonstrated in table one above and appendix one.
- 2.7 **Earlier Assessment** - The SEND inclusion fund, 2020/21 £202k, supports early intervention for independent and school nursery settings. This additional provision is provided by the Rodney House Early Years Outreach Service (RHOSY) which supports the early assessment of pupils and allows provision to be put in place at an earlier age. This has led to more pupils obtaining an EHCP before starting school, enabling intervention support to be provided sooner for better outcomes, but financially this has provided an additional burden in the mainstream sector. Appendix one, shows that there has been a 33% increase in EHCPs for three and four-year olds, when comparing September 2019 to September 2020.
- 2.8 **Post 16** - Graph one above has quantified the number of pupils above 16 years of age who the LA is financially responsible for. In September 2020, this is 1,184, which is 21.6% higher than in September 2019, which was 974. The 17 to 25 years phase of education is increasing exponentially and will continue to do so as there are large proportions of pupils aged between 12 and 16 with EHCPs. The LA is working closely with FE providers to ensure suitable courses are provided at this key stage before adulthood and that pupil costs do not significantly jump from when they were attending school.
- 2.9 At the point of budget setting, £1.83m of the 2020/21 HNB allocation was earmarked for planned recovery against the 2019/20 brought forward £4.28m deficit. At this stage due to additional demand for EHCPs and Post 16 support surpassing expectations, very little of last year's deficit has been recovered.
- 2.10 The significant increase in budget allocation 2020/21 of £11.99m has not fully met the demands from EHCPs at mainstream and FE college settings. The increase in funding on a per pupil basis will support more funding being available for EHCP growth but also covers increased complexity. The additional funding provided in financial year 2020/21 has partly closed the structural shortfall.

### 3. RECOVERY PLAN

- 3.1 Currently the LA is projecting for 2020/21 a cumulative DSG deficit of £4.24m and was expecting to recover this over three years (as noted in agenda item 7: DSG Position) by creating savings through developing efficiencies within the system and allocating future high need income towards the recovery. In order to recover by 2022/23, it would mean a recovery on average of £2.12m in each of the following two years, 2021/22 and 2022/23, while remaining within the approved budgets set.

- 3.2 Table three below sets out the additional high needs block grant expected next year and in 2022/23. It also forecasts the additional spend commitments and expected savings.

### **Additional Commitments**

- 3.3 **Demographic Growth (£7.24m in 2021/22 and £5.66m in 2022/23)** The school population in Manchester has increased significantly since 2008, as evidenced in section 2 above and Appendix one. The growth in Manchester's school population is the most considerable financial pressure within the HNB. Whilst Manchester's school population grows by 2.3% per year, the proportion of the population with SEND is growing at a greater rate, currently at January 2020 census was 17.3%. Expected growth planned throughout both financial years is 190 special school places, 579 mainstream school EHCPs, 392 post 16 places, and 41 independent school places. The reduced demographic growth in financial year 2022/23 is expected due to special school expansions leading to a reduction in independent school places.
- 3.4 **Teachers' Pay and Pension Grants (£1.54m in 2021/22)** The DfE announced in July 2020 that the Teachers' Pay and Pension Grants were to be included in the national funding formula from financial year 2021/22. These grants are currently paid separately to LAs. In the July 2020 provisional allocations, £1.54m has been ringfenced for both grants to be passported to special schools and alternative provisions. The assumption currently is that the 2021/22 provisional grants allocation will not increase in 2022/23 shown by the zero within table three even though it will likely increase based on demographic growth.

### **Savings**

- 3.5 The following savings and strategies have been identified to support recovery of the high needs block:
- **Buglawton Hall expected disposal** - providing a revenue saving of **£180k** in financial year 2021/22
  - **Increase in funding** – the block is expected to increase by £10.72m next financial year. It is expected that there would be budget capacity of £1.94m to support recovery.
- 3.6 It is also expected that the alternative provision place review will lead to savings in following financial years, this is yet to be worked through. The continued expansions of special school places, which should save funding per pupil from reduced growth in independent placements, is yet to be quantified.

**Table three: Medium Term HNB Recovery Plan**

	2021/22	2022/23
	£000	£000
<b>Additional HNB: Provisional Allocations (a)</b>	<b>10,721</b>	<b>7,988</b>
<b><u>Additional and New Commitments</u></b>		
Demographic Growth	7,243	5,663
Teachers' Pay and Pensions Allocations	1,538	0
<b>Additional Net of Commitments (b)</b>	<b>8,781</b>	<b>5,663</b>
Uncommitted Growth (a) – (b)	(1,940)	(2,325)
Efficiency Savings	(180)	0
<b>Total to allocate to recovery</b>	<b>(2,120)</b>	<b>(2,325)</b>
<b>Deficit balance brought forward</b>	<b>4,240</b>	<b>2,120</b>
<b>Projected outturn minus recovery - deficit/(surplus)</b>	<b>2,120</b>	<b>(205)</b>

**Note:** The table commitments show the increased expenditure in each financial year. The above Teachers' Pay and Pensions allocation is included in the provisional July 20 allocation for financial year 2021/22. Meaning it is an increased allocation in financial year 2021/22 but is already included in the budget for financial year 2022/23 explaining the zero value.

## Recovery

- 3.7 Table three shows a minor surplus of £205k being carried forward at the end of March 2023, this is based on the projected £4.24m deficit at the end of 2020/21, increased HNB funding as per the provisional July 2020 allocations for 2021/22, and assumes a further increase of at least 8% per head of population in financial year 2022/23.

## 4. CONCLUSION AND RECOMMENDATIONS

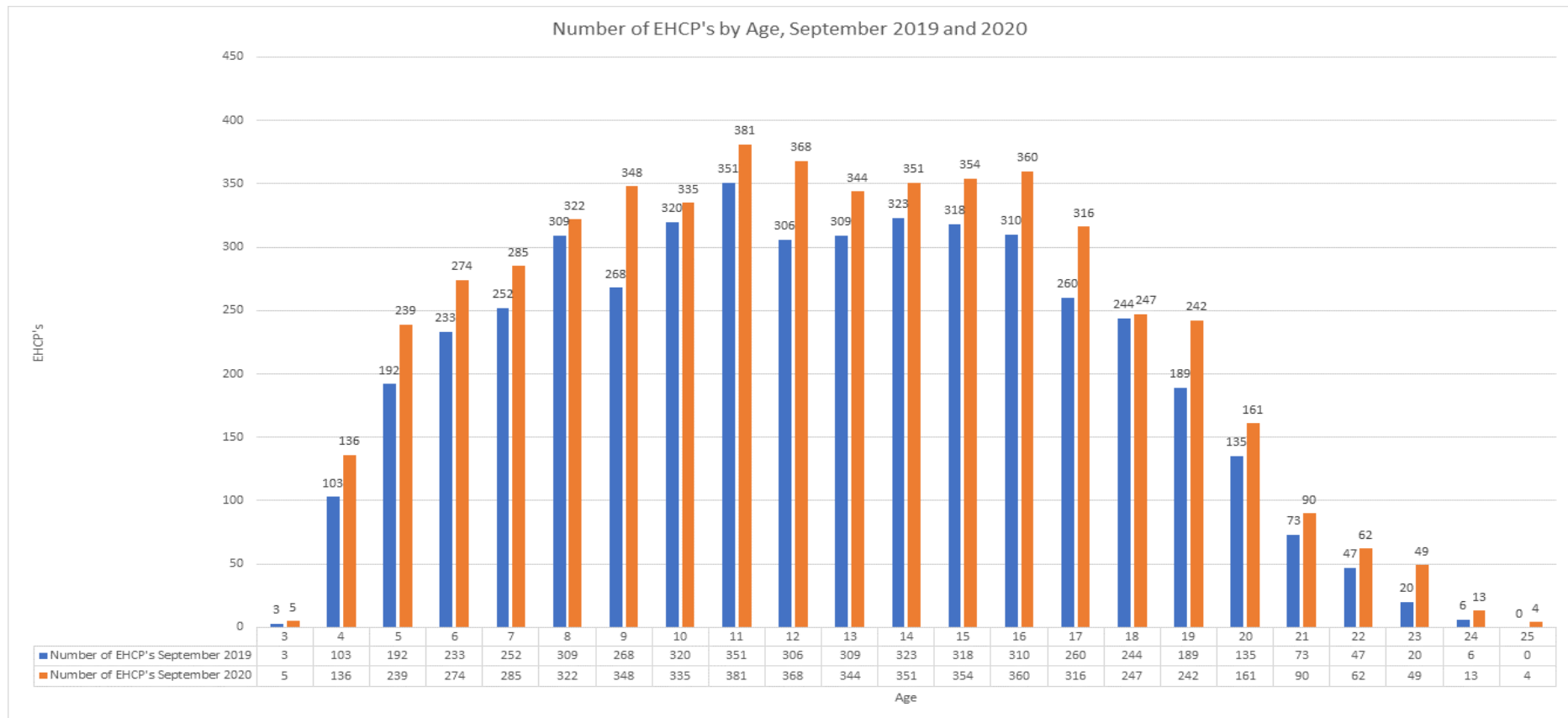
- 4.1. HNB recovery plan has been updated for the financial years 2021/22 and 2022/23, given the expected DSG deficit position 2020/21, in-year HNB overspend and the provisional settlement for 2021/22. There are ongoing pressures still present in the HNB and need to be monitored carefully over the coming years whilst continuing to review the effectiveness and efficiency of service provision. The overall aim of the LA is to continue to improve outcomes for children and young people with SEND and ensure there are sufficient specialist places and provision in the City to meet need

whilst achieving maximum value for money from the high needs block.

- 4.2. For the LA to recover the projected DSG deficit by 2022/23, it would mean a recovery on average of £2.12m in each of the following two years, 2021/22 and 2022/23. Initial workings on period 5 monitoring indicate that the projected £4.24m deficit may rise. This recovery will be challenging even with the additional government funding, due to the growth and complexity within this service area.
- 4.3 All Schools Forum members are asked to note and comment on:
- High Needs Block outturn forecast as at Period 5 (August 2020) 2020/21
  - Pressures on the High Needs Block over 2020/21 to 2022/23.
  - HNB Recovery plan and proposed savings put into place to mitigate the pressures



**Appendix One: EHCP Age Analysis Comparison of years 2019 and 2020**



Phase of Education	Sept 2019 EHCP Numbers	Sept 20 EHCP Numbers	Percentage Change (%)
<b>Early Years (Aged 3 to 4)</b>	106	141	33.0%
<b>Schools (Aged 5 to 16)</b>	3,491	3,961	13.5%
<b>Further Education (Aged 16 to 25)</b>	974	1,184	21.6%
	<b>4,571</b>	<b>5,286</b>	<b>15.6%</b>