

Manchester City Council Report for Resolution

Report to: Schools Forum – 26 September 2022

Subject: High Needs Block (HNB) Recovery Plan

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

Summary

The DSG has four separate funding blocks, of which one is the high needs block (HNB), with an overspend of £3.14m 2021/22. The HNB deficit was offset by underspends in the early years block and school’s block. The Dedicated School Grant (DSG) 2021/22 overall final position of £2.702m deficit and was reported to School Forum June 2022.

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 local authority (LA), which include but are not limited to, the Sensory Service and resource provision in mainstream schools

Primarily due to the exponential growth in the Education, Health, & Care Plans (EHCP) and Post-16 within the HNB it has resulted in a structural DSG deficit. The HNB pressure has been recognised on a national level, and forms part of the governments SEND review, including looking at how to better equip mainstream settings identify and support children and young people’s needs, instead of being met by EHCPs or specialist provision

This report and appendix one presentation, illustrates the potential funding gap over the next three years, it provides details on the draft HNB recovery plan and risks. The recovery plan is to try to close the funding gap, while 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.

All Schools Forum members are asked to:

Note:

- The projected deficit identified in the HNB three-year projected position: 2022/23 to 2024/25.

Comment:

- Draft recovery plans and actions to try to mitigate the HNB gap.
- HNB risk register.

It is the Council’s intention to provide regular updates to Schools Forum on the progress of

the HNB recovery plan.

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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:

20 June 2022	Agenda Item 5: Dedicated Schools Grant (DSG) and School Balances 2021/22 –Outturn
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1. INTRODUCTION

- 1.1 The DSG is a ring-fenced grant, made up of four blocks: schools, central school services, early years, and high needs. A large proportion of it is paid directly to schools and other settings to provide most education services:
- Individual schools' budgets in maintained schools and academies in Manchester.
 - Early years nursery entitlement for two, three- and four-year olds in maintained school nursery classes, private, voluntary, and independent (PVI) nurseries.
 - Provision for pupils with high needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision, mainstream schools and further education in Manchester and independent settings (commonly known as Out of City placements).
- 1.2 The Department for Levelling Up, Housing and Communities (DLUHC) has made regulations which ring-fence DSG deficits from councils' wider financial position in their statutory accounts. So, any DSG balance from a previous financial year is carried forward and addressed in the following funding period. This ring-fence is due to end after the accounts for the 2022/23 financial year, at which point local authorities will need to demonstrate their ability to cover DSG deficits from their future available reserves. This means that DSG deficit will become a greater risk to the Council, potentially effecting other services. It is therefore crucial that the HNB pressures are addressed. The Council has recently submitted a response to DLUHC, on the need for an extension of the DSG deficit ring-fencing.
- 1.3 Manchester's DSG deficit 2021/22 increased to £2.702m, mainly due to the growth pressures within the HNB. The growth in demand within high needs resulted in an HNB overspend of £3.14m 2021/22, which was partly offset by underspends in the early years block and schools block, as illustrated in table one below.

Table one: 2021/22 Summary of DSG Position

Dedicated School Grant (DSG) 2021/22	
	Over/(under) spend to budget £000's
Early Years Block	(897)
Schools Block	(13)
High Needs Block	3,138
Central Block	21
Net Overspend	2,248
Budget set aside for recovery	(1,500)
In-year deficit	749
Deficit b/fwd from 2020/21 (less school clawback)	1,954
Cumulative deficit	2,702

- 1.4 If this deficit and its causes are not addressed the HNB gap increases year on year over the next three years, resulting in an overall projected DSG deficit 2024/25 of £32.908m. The purpose of the supporting presentation (Appendix A: HNB Recovery)

is to illustrate the:

- Significant concerns on the structural DSG deficit due to the growth in demand as well as overall increase in numbers of children and young people with SEND within the high needs sector.
- Initial funding gap over the three years, 2022/23 – 2024/25.
- Council's draft recovery plan and strategies to manage these financial pressures over the three years.
- Projected impact of the draft recovery plan outcomes (outcome 1- 6) on narrowing the gap over the three years.
- High needs risk register

1.5 Manchester is one of 55 authorities the Department of Education (DfE) contacted to be part of Delivering Better Value (DBV) strategy, due to the DSG deficit. Manchester has opted out of this programme, to focus resources on recovery. Manchester is ranked 54th (No.1 Being the highest concern) on the formula to generate this list.

1.6 The HNB recovery plan and progress will be reported to Schools Forum on a regular basis going forward.

2. Recommendations

2.1 All Schools Forum members are asked to:

Note:

- The projected deficit identified in the HNB three-year projected position: 2022/23 to 2024/25.

Comment:

- Draft recovery plans and actions to try to mitigate the HNB funding gap.
- HNB risk register.