

## **Manchester City Council Report for Resolution**

**Report to:** Schools Forum

**Subject:** High Needs Block (HNB) Recovery Plan Update and SEND Improvement Measures

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

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### **Summary**

The Dedicated Schools Grant (DSG) is a ringfenced grant, that has four separate funding blocks, of which one is the high needs block (HNB), funding specialist education provision for children and young people up to 25 years old with Special Education Needs and Disabilities (SEND). The HNB is the most financially volatile block of the DSG, which has been recognised nationally as part of the Government’s SEND review. The SEND review looks 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.

The DSG cumulative position 2022/23 was a deficit of £1.417m primarily due to the growth in the Education, Health, & Care Plans (EHCP), Post-16, Out of City Placements (OOC) and use of Other Local Authority (OLA) in the HNB. If no action is taken growth continues at the same rate the 2024/25 the projected pressure is £16.631m.

The DSG Recovery Plan working group aims to maximising value for money through an outcome-based approach. This report looks at:

- Recovery plan results 2022/23 and overall DSG financial position (section 2).
- Potential funding gap for 2023/24 and 2024/25 (section 3).
- Recovery and continuing to improving SEND outcomes (section 4).

All Schools Forum members are asked to note and comment:

- The current projected 2023/24 HNB deficit position £5.417 (prior to mitigation).
  - Further update to be provide on 2024/25 position, post funding advised by DfE.
  - Draft recovery plans and actions to try to mitigate the HNB funding gap.
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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:**

19 September 2022	School Forum Agenda Item 4: High Needs Block (HNB) Recovery Plan
June 2023	Primary Headteacher Briefing – Early Years and SEND Plans
June 2023	Post-16 SEND Commissioning Project Plan 2023
May 2023	Post 16 SEND Strategic Commissioning Report

## 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 substantial proportion of it is paid directly to schools and other settings to provide education services. Unlike other parts of the grant the HNB has significant pressures and was overspent by £2.141m last year.
- 1.2 The main areas of spend in the HNB include:
- 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.
- 1.3 The HNB pressures are a result in the growth in: Education, Health, & Care Plans (EHCP), Post-16, Out of City Placements (OOC) and use of Other Local Authority (OLA). DfE have confirmed local authorities will not get the same level of grant increase in HNB funding as in previous years, which was c.13% 2023/24 and is expecting to drop to c.3% growth in grant going forward. If growth in demand continues at the same rate as 2022/23, and no action is taken, the shortfall on the HNB is projected to be £16.631m by 2024/25.
- 1.4 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 was due to end after the accounts for the 2022/23 financial year but has now been extended to 2025/26, at which point local authorities will need to demonstrate their ability to cover DSG deficits from their future available reserves. This means that the DSG deficit will become a greater risk to the Council, potentially affecting other services. It is therefore crucial that the HNB pressures are addressed.

## 2. Recovery plan results 2022/23 and overall DSG financial position

- 2.1 Due to the growth in demand within high needs resulted in a block overspend of £2.141m. The four key areas of pressures were offset by contingencies and recovery actions. The in-year HNB and Central Schools block deficits were off-set against underspends in Schools and Early Years block as shown in table one below. The DSG cumulative deficit £2.509m was reduced by the in-year surplus, £1,092m and led to a cumulative balance of £1.417m at the end of the financial year.

**Table One: 2022/23 DSG Overspend**

DSG Position 2022/23	
	Over/(under) spend to budget £000's
EHCP	1,074
Post 16	2,068
OOC (Out of City)	1,545

OLA (Other Local Auth.)	594
<b>Overspend High Risk Areas</b>	<b>5,281</b>
<b>Use of Contingency</b>	<b>(1,350)</b>
<b>Recovery Plan Actions</b>	<b>(1,790)</b>
<b>HNB Overspend</b>	<b>2,141</b>
<b>Net Early Years, Schools, and Central Blocks Underspend</b>	<b>(3,232)</b>
<b>In-year surplus</b>	<b>(1,092)</b>
<b>Balance at start of the year</b>	<b>2,509</b>
<b>Balance at 2022/23</b>	<b>1,417</b>

- 2.2 There are on-going pressures in the HNB, the block's recovery plan is built across six outcomes, listed in table two below. The recovery approach is to invest in lower costs through prevention, to gain best value for money alongside providing quality services for SEND children and young people.

**Table Two: Outcomes of High Needs Recovery Plan 2022/23**

	Expected Saving 2022/23 £'000	Actual Saving 2022/23 £'000	% Saving Made
<b>Recovery In-year</b>			
Outcome 1: Reduce spend on Post 16 commissioning of places	(15)	(15)	100%
Outcome 2: Prevent further increase of EHCPs at current rates	69	40	58%
Outcome 3: Reduce spend on EHCPs	0	0	100%
Outcome 4: Reduce spend on independent school placements	384	0	0%
Outcome 5: Reduce spend on PRUs / AP and Hospital School	(195)	(195)	100%
Outcome 6: Reduce other spend on HN bloc	2,205	1,960	89%
<b>TOTAL RECOVERY IN-YEAR</b>	<b>2,447</b>	<b>1,790</b>	<b>73%</b>

- 2.3 2022/23 recovery were from outcome six. They related to a one-off reduction of £1.4m on joint funded placement recharges, £160k reduction on ICT after capitalisation, £158k use of other grants to cover virtual school spend, £193k clawback of excessive balances from schools. 73% of savings were achieved overall, this is better than normal resolution for building savings which is normally between 50% and 60% across local authorities. Outcome 1-5 savings are mostly planned to be achieved 2023/24 onward.

### 3. **Potential Funding Gap: 2023/24 and 2024/25**

- 3.1 The cost of the four key high-risk areas in HNB (EHCP, Post-16, OOC and OLA) increased on average by 22% from 2021/22 to 2022/23. The cost increase was due to high inflation, activity increasing and demand for independent sector placements from all authorities increasing, while supply not following at the same pace. The HNB budget 2023/24 increased by £13.315m, including £5.009m additional funding, an increase of 13%. The four key areas spend increased by an average of 24%, given the 2022/23 overspend. Future funding will not be sufficient to cover the expected pressures if costs increase at same rate as 2022/23, illustrated in table four below.

**Table Three – Forecast Overspend Pre-Recovery Plan on High Risk HNB Areas**

Area	Overspend 22/23 £'000	Cost Increase 21/22 to 22/23 %	Budget 23/24 £'000	Budget Increase 23/24 to 22/23 %	Proj' of Cost 23/24	Shortfall 23/24 £'000	Indicative Budget 24/25	Forecast Budget Increase % 23/24 to 22/23	Proj' of Cost 24/25 £'000	Shortfall 24/25 £'000
EHCP	1,074	27%	20,094	23%	22,116	2,022	20,697	3%	28,103	7,407
Post 16	2,068	21%	14,629	39%	15,205	576	15,068	3%	18,336	3,268
OOC	1,545	19%	12163	15%	14,456	2,293	12,528	3%	17,243	4,715
OLA	594	15%	2,666	10%	3,465	799	2,746	3%	3,987	1,241
<b>Total</b>	<b>5,281</b>	<b>22%</b>	<b>49,552</b>	<b>24%</b>	<b>55,242</b>	<b>5,690</b>	<b>51,039</b>	<b>3%</b>	<b>67,670</b>	<b>16,631</b>

- 3.2 If costs increase by the same as 2022/23 going forward then there will be a shortfall in HNB funding of £5.690m and £16.631m this year and next. The 2024/25 forecast includes an assumption that the budget funding increase of HNB will be 3%, as indicated by Department for Education (DfE), this has not been confirmed. The projected pressures are prior to recovery plan actions.
- 3.3 Section four outlines the policies and subsequent savings expected in 2023/24 to meet a DSG balanced budget and potentially to reduce the deficit whilst also improving SEND actions in line the DfE green paper.
- 3.4 Forum is reminded that given the recovery plan expectations at budget setting, the Council did not request the 0.5% block transfer from the school's block in 2023/24, which equated to c.£2.4m. This option remains part of the recovery plan, and the position will be reviewed 2024/25.
- 4 Recovery and Continuing to be Improving SEND outcomes**
- 4.1 Manchester City Council is currently progressing SEND improvements throughout its services, these are detailed in this section along with methods to help meet the HNB recovery action plan six outcomes.
- 4.2 Below details of the recovery plan savings and how the service will look to enact them in 2023/24 are highlighted below. Based on current and expected levels of activity Forum is asked to consider two scenarios:
- **One:** Best position savings of £5.4m, considering these actions would make enough savings to cover the estimated shortfall in HNB budget of £4m and to cover the deficit of £1.417m from previous years.
  - **Two:** Minimum estimated saving of £4m to have a balanced in-year DSG budget. No contribution to current cumulative deficit £1.417m.
- 4.3 The Local Authority believes that scenario two is more likely to be achieved given current level of activity.

**Table Four Recovery Plan Scenarios**

<b>Recovery In-year</b>	<b>Expected Saving 2023/24 Scenario 1 £'000</b>	<b>Expected Saving 2023/24 Scenario 2 £'000</b>
Outcome 1: Reduce spend on Post 16 commissioning of places	900	500
Outcome 2: Prevent further increase of EHCPs at current rates	-	-
Outcome 3: Reduce spend on EHCPs	300	200
Outcome 4: Reduce spend on independent school placements	1,800	1,200
Outcome 5: Reduce spend on PRUs / AP and Hospital School	600	600
Outcome 6: Reduce other spend on HN bloc	1,800	1,500
<b>TOTAL RECOVERY IN-YEAR</b>	<b>5,400</b>	<b>4,000</b>

**4.4 Outcome 1 Post 16**

- Proposal for Post 19 inclusive model, which includes a pilot for an inclusive college, commissioned to work with young people with Profound Multiple Learning Difficulties (PMLD). These placements have significant cost across the city and the college model will reduce the cost whilst enhancing outcomes.
- 140 young people aged 16 & 17 on EHCPs at Special Schools with post 16 provision, by developing alternative provision will identify savings from negotiation post September 2023.
- Uplift Negotiations: keeping inflationary uplifts to no more than 7%.

**4.5 Outcome 2 Prevent further increase of EHCPs**

- Work is being undertaken to increase SEN training and help within early years to help reduce numbers of EHCP presenting later.
- Extension of early years SEN inclusion funding into reception class.
- Kickstarter programme funding EYP in the most deprived areas, with additional speech and language therapy and education psychologists to try to address issues at the early stage. One of the aims is to lower the need for EHCP occurring when children reach primary school age.

**4.6 Outcome 3 Reduce Spend on EHCP**

- Delivering a new approach to reviewing EHCPs, so that funding can be more closely tapered to meet need, as child progresses through the education system.

**4.7 Outcome 4 Independent Sector**

- Increase special school provision by building of new special schools and expansion of other special schools which will mean new placements are not put in higher cost independent provision.
- Build SEN units within mainstream school provision again lowering cost from higher cost special school provision.
- Increase resource provision within mainstream schools so that children with lower needs do not have to be in more specialist provision at again a higher cost.

#### 4.8 **Outcome 5 Review of Alternative Provision (AP)**

- Delivering AP taskforce multiagency team around secondary PRU to improve outcomes and prevent needs from escalating, via grant funding.
- Ongoing delivery of SAFE (Support, Attend, Fulfil and Exceed) programme. This is DfE grant funded, with the aim to prevent young people becoming involved in the youth justice system.
- Refresh AP framework to increase the range of providers and local authority quality assurance.

#### 4.9 **Outcome 6 Other Savings**

- Review contribution to other services.
- Transfer of 0.5% school block funding to high needs under review for 2024/25.
- Excessive school balances clawback mechanism to continue.

#### 4.10 **Regional Expert Partners**

The DfE want to work with local areas which can use their experience of delivering effectively within the current SEND system to lead the testing and implementation of their plan for SEND and Alternative provision published earlier this year. This provides an opportunity to inform and shape the direction of the change program. Manchester has been asked by the DfE to be a regional expert partner and lead this work in the Northwest region.

Manchester submitted a successful bid to lead as a regional expert partnership for the northwest, the change program starts in September 2023. The grant can be used to fund additional capacity in the local authority to test and implement the government's SEND reforms, such as: -

- Early years SENCO training, funding for up to 5,000 early years professionals to gain a Level 3 SENCO award.
- National approach to funding bands. Manchester City Council it has been shown are higher than statistical neighbours so potential for savings.
- Additional educational psychologists trained.
- Consideration of changes to SEN Inclusion Funding for early years.

- 4.11 Further work is now being undertaken to see how policy changes can be speeded up and have full year effects for 2024/25 and whether they can counter any pressures advised. Last year the DfE advised late of additional funding for the HNB, therefore although there is an estimated a £16.631m pressure for 2024/25 initially this could be lower if the government increase the provision by more than the 3% as advised. An update will be provided for 2024/25 once all factors are known.

### 5. **Recommendations**

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

- The current projected 2023/24 HNB deficit position £5.417 (prior to mitigation).
- Further update to be provide on 2024/25 position, post funding advised by DfE.
- Draft recovery plans and actions to try to mitigate the HNB funding gap.