

**Manchester City Council  
Report for Resolution**

**Report to:** Schools Forum

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

**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).

DSG cumulative position 2022/23 is a £1.417m overspend, this is primarily due to the growth in the Education, Health, and Care Plans (EHCP), Post-16, independent special placements (ISP), and use of other local authority (OLA) in the HNB. Current forecasts for 2023/24 are £3.902m overspend in year, increasing to £8.545m in year overspend 2024/25, before SEND improvement recovery actions.

The HNB is the most financially volatile block of the DSG, which has been recognised nationally as part of the DfE “SEND and Alternative Provision Improvement Plan”.

This report provides a progress update on Manchester’s SEND improvement measures recovery plan, covering the following: -

- Potential funding gap 2023/24 and 2024/25 (section 2).
- Continuing SEND improved outcomes and recovery (section 3).
- DSG financial implications and school block transfer (section 4).

**All** Schools Forum members are asked for note and comment:

- Current projected 2023/24 HNB overspend position in-year £3.902m pre-improvement actions (£2.932m post recovery).
- Projected 2024/25 HNB overspend £8.434m in-year pre-improvements actions.
- SEND improvement measures in the next two years to improve outcomes and financial sustainability.

**All** Schools Forum members are asked to comment and approve:

- SEND improvement recovery plan actions proposed by the Council and Recovery Board
- No school block transfer to HNB in 2024/25. The Council will not be

requesting 0.5% school block transfer, given the expectations of the recovery measures. If the improvement measures do not have a positive impact on outcomes and financial stability, there is an expectation that a block transfer request 2025/26 could be required.

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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	Schools Forum Agenda Item 4: High Needs Block (HNB) Recovery Plan
March 2023	SEND and Alternative Provision Improvement Plan
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 is the reason the DSG are in a £1.417m overall cumulative overspend. The current projected HNB overspend for 2023/24 is £3.902m pre-recovery actions in year and £2.932m post recovery in 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 provision of special services provided by schools and councils, which include but are not limited to, the Sensory Service and resource provision in mainstream schools.
- 1.3 The HNB pressures are mainly a result in the growth in: EHCP, Post-16, independent special placements (ISP), and the use of other local authority provision (OLA). DfE have confirmed Councils will not get the same level of HNB funding increase as in previous years, 2023/24 c.13%, this is expected to drop to c.3% 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 £8.434m by 2024/25, due to increase in grant less than spend. The HNB funding increase of **3%** is significantly **less than** the impact of expected 8% increase in demand (number of EHCP, Special School places, Post 16, and ISP) and inflationary cost pressures 4%.

**Table One: Year on Year Funding Increase to HNB Overspend**

	2021/22	2022/23	2023/24	2024/25
HNB Funding, % increase Year on Year	14%	16%	13%	3%
HNB In-Year shortfall / overspend (£m)	3.138	2.141	3.902	8.434

- 1.4 The DfE green paper “SEND and Alternative Provision Improvement Plan” looks at how to better equip mainstream settings, identify and support children and young people’s needs with early intervention and providing the right support at the right time, instead of being met by EHCPs or specialist provision while increase financial sustainability. This report investigates the Councils’ response to this and how it looks to embed improvements.
- 1.5 The Department for Levelling Up, Housing and Communities (DLUHC) has made regulations which ring-fence DSG overspends 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 has been extended to the end of March 2025,

so DSG overspends 2025/26 is the point local authorities will need to demonstrate their ability to cover DSG overspends from their future available reserves. This means that the DSG overspend will become a greater risk to the Council, potentially affecting other services. It is therefore crucial that the HNB pressures are addressed.

## 2. Potential Funding Gap 2023/24 and 2024/25

- 2.1 Due to the growth in demand within high needs this has resulted in a block overspend of £2.141m 2022/23, due to four key areas of pressures: EHCP, Post-16, ISP, and OLA. 2022/23 in-year HNB and central schools block overspends were off-set by underspends in Schools and Early Years block.
- 2.2 HNB 2023/24 is forecasting £2.661m overspend, but with underspend in other DSG blocks this is reducing the overall projected DSG overspend to £2.299m. This will increase the overall cumulative overspend for DSG, from £1.417m to £3.716m, illustrated on table two below.
- 2.3 HNB recovery forecast for 2023/24 is £0.970m mainly due to a review of independent special placements, with an expected reduction in costs to multi-agency arrangements and a holistic commissioning approach to achieve a more cost-effective approach.

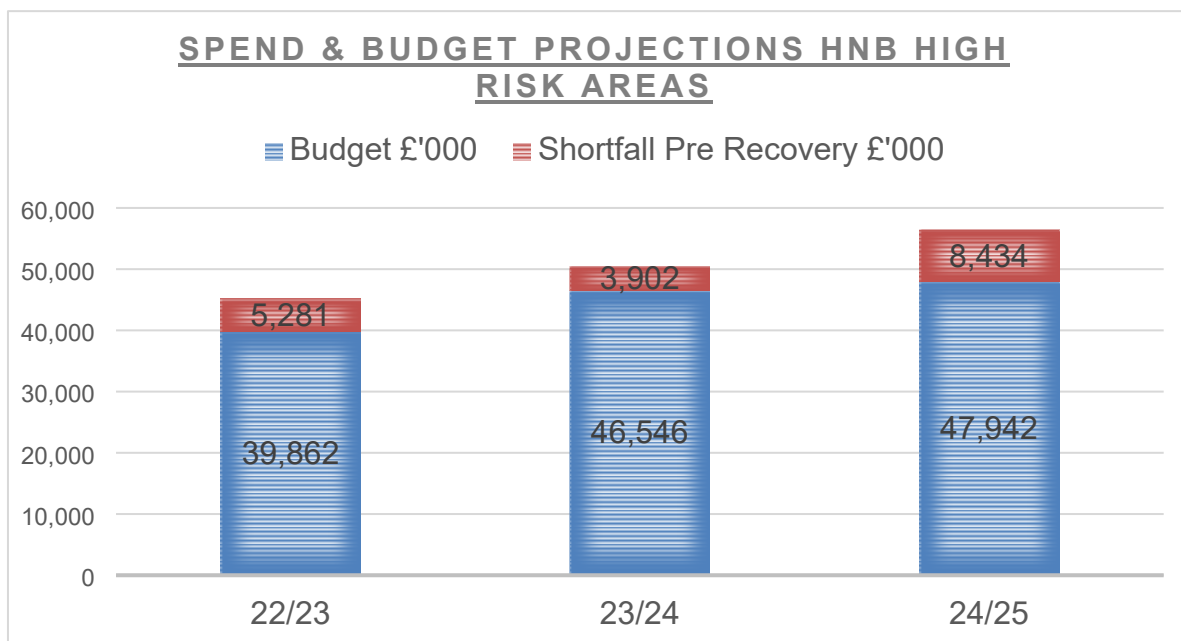
**Table Two: 2022/23 HNB Overspend and Forecast 2023/24 and 2024/25**

	<b>22/23 £'000</b>	<b>23/24 £'000</b>	<b>24/25 £'000</b>
High Risk Area Forecast Spend	45,143	50,448	56,376
Budget	39,862	46,546	47,942
<b>Difference Pre-Recovery</b>	<b>5,281</b>	<b>3,902</b>	<b>8,434</b>
Recovery Forecast	(1,790)	(970)	(8,434)
Other HNB Savings In Year	(1,350)	(271)	-
<b>HNB Position</b>	<b>2,141</b>	<b>2,661</b>	-
Position School/EY and Central Block	(3,232)	(362)	-
DSG Position In Year	(1,091)	2,299	-
<b>Overall DSG Position Beginning Year</b>	<b>2,509</b>	<b>1,417</b>	<b>3,716</b>
<b>Overall DSG Position End Year</b>	<b>1,417</b>	<b>3,716</b>	<b>3,716</b>

- 2.4 The SEND improvement options for 2023/24 have now been updated into 4 workstreams to better fit the SEND improvement outcomes. The 6 original outcomes have been combined into the following workstreams: -

- **Workstream 1 - Strengthen mainstream schools' graduated response.**
- **Workstream 2 – Reviewing and responding to children with an EHCP.**
- **Workstream 3 – Strengthening commissioning of specialist provision.**
- **Workstream 4 - Generating income for high needs block and review other spend.**

- 2.5 Schools Forum July 2023, the original outcomes had forecast a £4m of mitigation against HNB spend 2023/24, these have now reduced to £0.970m. This reduction is due to underestimating the length of time needed for savings to occur, alongside the increase in cost for placements in terms of both provision and higher inflationary pressures. Higher need requirements of EHCP means more independent sector placements are required at a higher average cost and inflationary rises above inflation element built in these contracts.
- 2.6 As reported to Schools Forum July 2023, the Council has been identified to lead the DfE's regional Change Partnership Programme (CPP) working with 3 other GM Local Areas and has been allocated funding of £5.896m for the partnership over two years from 2023/24. This funding supports the development, testing and implementation of the government's SEND reforms. The Council is still working through the funding guidance.
- 2.7 2024/25 HNB funding is expected to increase by c.3%, while costs are forecast to increase by c.11.7%, giving an overall projected pressure of £8.434m 2024/25. This is illustrated on the graph below.



### 3. Continuing SEND Improved Outcomes and Recovery Measures

- 3.1 As advised in section 2, the recovery plan has been developed to be more proactive at achieving improved SEND outcomes and the actions have been realigned into 4 workstreams.
- 3.2 The measures in the workstreams (see table 2 below) will be required to be accurately measure if outcomes are being achieved. Work is on-going to produce dashboards in the next few months, so activity can be reported back through the regular recovery board meetings and subsequent Schools Forum

meetings, including if the outcomes are impacting on HNB financially sustainable.

**Table 2: Workstreams**

<b>Workstream 1 – Strengthen mainstream schools graduated response</b>
Increase SENCO awareness of funding for SEND
Increase SENCO awareness of training and take up of interventions available
Strengthen offer for children in early years through to KS1.
Review special school outreach offer and target to need
Increase intervention for children with SEMH through outreach
Develop a clear pathway for children with health needs.
<b>Workstream 2 – Reviewing and responding to children with an EHCP</b>
Funding in EHCPs to be responsive to needs
Review banded funding for EHCPs
Review special school partnership and band 5+ funding
Attend reviews of children in high costs placements/independent provision
Ensure we apply the DFE High Needs operational guidance regs for children who are resident out of city.
Attend reviews of young people in special school preparing for post 19 offer
Use basic need funding to increase specialist offer matched to identified needs in Manchester
Open new secondary school in Miles Platting Sept 2024
<b>Workstream 3 -Commissioning of Special Provision</b>
Ensure high-cost specialist education placements are having an impact and provide value for money
Develop a banded funding model for Independent special schools
Continue to expand post 19 Offer
Increase supported internships
Include section 19 /Education Otherwise Than at School (EOTAS) offer on Alternative Provision framework to ensure best value
<b>Workstream 4 – Generate income for HNB and review other spend</b>
Budget transfer from Schools block (not requested for 2024/25)
Review grant conditions and determine where funding can be used to support recovery actions
Schools’ Excessive balance clawback implemented and added to HN block

- 3.3 The primary aim of the workstreams combined, is to provide early interventions to give the right support at the right time to improve SEND outcomes. In doing so also achieving better value for money and reverse the financial pressures required to balance the DSG 2024/25.

#### **4. DSG Financial Implications and School Block Transfer**

- 4.1 The Council are not requesting a school block transfer 2024/25, as the expectation is that the improvement measures in the workstreams will have a positive impact on outcomes and financial stability. It is important that the Council, schools, and providers work together to ensure that better outcomes are achieved with more effective timely interventions within the funding envelope. The HNB improvement plan outcomes and financial position will be monitored to assess the impact and if other strategies are needed, including block transfer request 2025/26.
- 4.2 If at the end of 2025/26, DSG remains in an overspend position there is risk to the Council, due to DSG ringfencing rules ending. At this point local authorities will need to demonstrate their ability to cover DSG overspends from their future available reserves. The Council's overall reserves are reducing year on year due to the current financial climate.

#### **5. Conclusion and Recommendations**

- 5.1 Pre-improvement plan the DSG deficit is set to rise. In order to improve outcomes and move to a more sustainable position the Council has developed a SEND improvement plan. The plan's workstreams combined aims to simultaneously improve SEND outcomes while also achieving better value for money and reverse the £8.434m required to balance the DSG 2024/25.
- 5.2 **All Schools Forum members are asked for note and comment:**
- Current projected 2023/24 HNB overspend position £3.902m pre-improvement actions (£2.932m post recovery).
  - Projected 2024/25 HNB overspend £8.434m pre-recovery actions.
  - SEND improvement measures in the next two years to improve outcomes and financial sustainability.
- 5.3 **All Schools Forum members are asked to comment and approve:**
- SEND improvement recovery plan actions proposed by the Council and Recovery Board
  - No school block transfer to HNB 2024/25. The Council will not be requesting 0.5% school block transfer, given the expectations of the recovery measurers. If the improvement measures do not have a positive impact on outcomes and financial stability, there is an expectation that a block transfer request 2025/26 could be required.