

## **Manchester City Council Report for Information**

**Report to:** Children and Young People Scrutiny Committee – 7 February 2024  
Executive - 14 February 2024

**Subject:** Dedicated Schools Grant 2024/25

**Report of:** Strategic Director (Children's and Education Services)

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### **Summary**

The Dedicated School Grant (DSG) is a ring-fenced grant of which is used to fund the education of the city's children. The grant is spent on providing delegated budgets to individual schools' and academies in the city; it funds early years nursery entitlement and provision for pupils with high educational needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and independent special schools.

The DSG is broken down into four blocks: schools, central school services, high needs and early years. The majority is delegated and paid directly to schools and other settings to provide the majority of education services. A proportion of the DSG is provided for councils to deliver professional overview through its Education Services function.

This report provides a summary of the confirmed DSG allocation from the 2024/25 settlement announced on the 19<sup>th</sup> December 2024 and the budget allocation across individual school budgets and Council's retained schools budgets which was consulted and reported to Schools Forum on the 15<sup>th</sup> January 2024.

### **Recommendations**

The Committee is recommended to: -

- (1) To consider and comment on the forecast medium term revenue budget.
- (2) Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

The Executive is recommended to approve these budget proposals.

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**Wards affected:** All

<b>Environmental Impact Assessment</b> -the impact of the issues addressed in this report on achieving the zero-carbon target for the city	The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.
<b>Equality, Diversity and Inclusion</b> - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti-Poverty Assessment.

<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the city; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership build the resilience of children and families needed to achieve their potential and be integrated into their communities
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

## **Financial Consequences – Revenue**

The changes included within this report will, subject to Member comments and consultation, be included in the final 2024/25 revenue budget set by Council on 3rd March 2024.

## **Financial Consequences – Capital**

None directly arising from this report.

### **Contact Officers:**

Name: Paul Marshall  
Position: Strategic Director for Children and Education Services  
Telephone: 0161 234 3952  
E-mail: paul.marshall@manchester.gov.uk

Name: Amanda Corcoran  
Position: Director of Education  
Telephone: 0161 234 4314  
E-mail: amanda.corcoran@manchester.gov.uk

Name: Vandhna Kohli  
Position: Head of Finance - Children, Education and Schools  
Telephone: 0161 234 4235  
E-mail: vandhna.kohli@manchester.gov.uk

Name: Anne Summerfield  
Position: Directorate Finance Lead - Education and Schools  
Telephone: 0161 234 4235  
E-mail: anne.summerfield@manchester.gov.uk

### **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.

[Medium Term Financial Strategy and 2023/24 Revenue Budget – Executive 15 February 2023](#)

[Children and Education Services Budget 2022/23 - Executive 16 February 2022](#)

[Children and Young People Budget Report 2023-26 - Scrutiny Committee 9th November 2022](#)

## 1. Introduction and Purpose

- 1.1. This report details the Dedicated Schools Grant (DSG) settlement 2024/25. It also sets out a 3-year DSG forecast. The DSG is a specific grant made by the Department for Education (DfE) to councils in England for their current expenditure on schools, early years, and children and young people with high needs. It is the responsibility of the Council, in conjunction with their local Schools Forum to determine the split of funding between their own expenditure and the Individual Schools Budget.
- 1.2. The table below outlines the schools and educational providers and pupil numbers.

**Table one: Schools/Provider supported by DSG**

Dedicated School Grant (DSG)	Schools/ Providers	Pupil Numbers 2023/24
Nursery Schools	2	64
Private, Voluntary and Independent Sector	451	4,915
Primary Schools & Academies Nursery	128	5,057
Primary Schools & Academies R-Yr 6	135	49,601
Secondary Schools & Academies	32	33,837
Special School Schools & Academies & PRU	17	2,559
Mainstream Education, Health and Care Plans	165	2,925
Post 16 EHCP	36	694
Other LAs and Independent Sector Provision	54	714
	Full Time Equivalents	
Council Staff	170.67	

## 2. Grant Overview

- 2.1 Manchester's DSG 2024/25 totals **£735.050m**. Table two provides a breakdown of the grant across the four DSG blocks and sets out the grant changes between 2023/24 and 2024/25. There has been an overall 8.6% (£58.125m) increase in DSG since last financial year.

**Table two: DSG 2024/25 compared to 2023/24**

DSG	Schools £m	Central School Services £m	High Needs £m	Early Years £m	Total £m
2024/25	537.979	3.864	133.475	59.732	735.050
2023/24	503.271	3.824	128.213	41.616	676.925
<b>Difference</b>	<b>34.708</b>	<b>0.039</b>	<b>5.262</b>	<b>18.115</b>	<b>58.125</b>
<b>The difference is a result of the change in £m:</b>					
Formula	10.732	0.000	4.071	18.115	49.918
Pupil Numbers	6.922	0.039	1.191	0.000	8.152
<b>Difference</b>	<b>34.708</b>	<b>0.039</b>	<b>5.262</b>	<b>18.115</b>	<b>58.125</b>

2.2 Key movements relate to:

- Rolling in of the £17m Maintained Schools supplementary grant into DSG
- £18.1m Expansion of Early Year entitlements and increase in the hourly rates paid to providers, from the Early Years Block.
- £5.3m, 4.1% uplift to the part of the grant that supports the City's most vulnerable pupils, the High Needs Block.
- £7.4m, 1.4% uplift to pupil related elements of grant that supports primary and secondary schools, the Schools Block.
- £2.2m, premises costs uplift
- £8.1m, 939 pupil increase across primary and secondary

2.3 The **Schools Block** allocation of £537.979m has been calculated bottom up on the basis as if the national funding formula (NFF) was applied at school level. On average the DfE has increased the pupil led elements of the formula by 1.4%.

2.4 Table three shows the breakdown of the allocation across pupils aged 5-16 years. Primary pupil numbers have marginally increased by 0.08% (+41 pupils). Secondary numbers have increased by 2.73% (+898 pupils), which is a lower rate of growth than previous years.

**Table three: Schools Block 2024/25 compared to 2023/24**

	2024/25	2023/24
Primary Guarantee Unit of Funding	£5,559	£5,269
Secondary Guaranteed Unit of Funding	£7,455	£7,112
Pupil led Schools Block (£m)	£527.920	£495.383
Growth & Premises Funding (£m)	£10.059	£7.888
<b>Total (£m)</b>	<b>£537.979</b>	<b>£503.271</b>

2.5 The **Central Schools Services Block** (CSSB) allocation of £3.864m supports the Council's role in education. Despite inflation and pay awards the amount of grant received on per pupil basis has not changed. The £39.5k grant increase relates to pupil number increases in primary and secondary schools. There has been no reduction on the historical commitment (relating to prudential borrowing) following DfE confirmation that the protected has been applied.

**Table four: Central School Services Block (CSSB)**

	2024/25	2023/24
<b>On-going responsibilities:</b>		
Unit of funding (per pupil)	£42.02	£42.02
October census number on roll	83,432	82,493
Total On-going responsibilities (£m)	£3.506	£3.466
Historic Commitments (£m)	£0.358	£0.358
<b>CSSB Total (£m)</b>	<b>£3.864</b>	<b>£3.824</b>

- 2.6 The **High Needs Block** (HNB) allocation of £133.475m provides funding for children and young people with special educational needs and disability from early years to age 25 years. This block will be finalised by the Department for Education in the new calendar year once confirmation of the adjustment for the 'import and export' is received. Import and export adjustment is intended to reflect the movement of high needs pupils and students between local authority areas.
- 2.7 The grant increase is 4.10% (£5.262m) this is lower than the increase in the previous two years, which was an on average +14.00% growth. The 2024/25 increase is not expected to cover anticipated inflation and growth in demand and will place pressure on the budget. The implementation of Manchester's High Needs recovery plan (reported to School Forum November 2023) will be needed to bring financial stability within HNB.
- 2.8 The **Early Years Block** (EYB) indicative allocation has increased by £18.115m (43.53%), the increase is made up of:
- new free entitlements offer for 9 months olds to two-year-olds and working parents of two-year-olds (£11.888m)
  - increase in the hourly rates for existing early year entitlements (£6.227m)
- 2.9 The EYB initial allocation is provided in table five below. As advised by DfE, EYB includes teachers' pay and pension funding, no separate grants will be allocated as in previous years.

**Table five: Early Years Block (EYB) 2024/25**

	Change from Sept 23 (£)	Per hour (£)	Roll (est.)	Total (£m)
<b>Three-and-Four-Year-old:</b>				
Universal 15 hours 38 weeks	+0.27	5.85	8,630	<b>28.778</b>
Extended 15 hour working parents			2,230	<b>7.435</b>
<b>Two-Year old Offer:</b>				
15 hours 38 weeks (disadvantaged)	+1.03	8.49	2,055	<b>9.944</b>
15 hours 38 weeks (working parents)	New		1,362	<b>6.589</b>
<b>9 months - Under Twos</b>	New	11.61	690	<b>4.565</b>
15 hours 38 weeks (working parents)				
Early Years Pupil Premium (EYPP) 15 hours for 38 weeks	+0.02	68p per hour		<b>1.565</b>
Disability Assess Fund (DAF)	29 p.a.		£910 p.a.	<b>0.462</b>
Maintained Nursery School Supplementary	1.03			<b>0.394</b>
<b>Total</b>				<b>59.732</b>

**Note:** EYPP and DAF have been expanded across all new and existing early years entitlements.

### **3. Distribution across educational establishments and Council issues**

- 3.1 The **Schools Block** - funds individual mainstream schools' budgets. Funding is currently based on a local funding formula (LFF). Funding at individual schools level is determined by the number of pupils, their characteristics and premises. This formula applies to all primary and secondary schools. It applies to schools regardless of whether they remain with the Council or convert to an academy during the year.
- 3.2 For the past few years councils have been required to move to a position whereby the LFF starts to mirror the national funding formula (NFF). Based on affordability Manchester has been able to increase the amount allocated for pupils, their pupil characteristics, and premises, moving closer to the NFF and ensure that no school loses out by no more than 0.5% per pupil. After applying changes outlined previously, on average per pupil funding will increase by **1.88%** per individual school. Where schools have seen a drop in pupil numbers since last October census there is likely to be a reduction in their total school funding.
- 3.3 This part of the grant also supports school expansion, which is set aside in the Growth Fund. It is required to fund the known growth for further in-year expansions and pre/post school opening grants. From 2024/25 local authorities have the flexibility to use growth funding to fund revenue cost associated with repurposing mainstream school spaces for Special Educational Needs and Disabilities (SEND). Manchester seeks to use part of the growth fund to support the repurposing mainstream schools for specialist SEN Units and inclusion places to support the High Needs recovery plan in achieving better outcomes for pupils.
- 3.4 The **Central Services Schools Block (CSSB)** - is under pressure as the per pupil funding basis has been frozen for a number of years. This part of the grant supports the council's role in education. The change in the grant is not going to fully cover the pay award for central services, such as admissions. Education and finance are reviewing the CSSB to identify how it can be brought into balance.
- 3.5 The **High Needs Block (HNB)** - this part of the grant is under significant demand and cost pressures, which supports pupils with the highest level of need in the city. The £5.262m (4.10%) increase in HNB, has been targeted to the areas outlined in the table below. The growth outlined below is the net increase after recovery actions to manage demand and cost have been taken.

**Table six: High Needs Block growth 2024/25**

	<b>2024/25 £m</b>	<b>Additional places</b>
Special Schools, Resource & Specialist SEN Units	2.179	128
Mainstream EHCP including Post 16	1.951	543
Out of City Places and Other Local Authority	1.132	61
<b>Total</b>	<b>5.262</b>	

- 3.6 Councils are permitted to transfer up to 0.5% between DSG blocks. A number of Councils have transferred funds from their schools' block to the HNB, as a way of addressing the pressures in their HNB. Manchester has not reallocated funds in this way yet. It has developed a High Needs recovery plan, which was agreed at School Forum November 2023. It is expected that the recovery measures will have a positive impact on outcomes and financial stability. The HNB recovery improvement plan outcomes and financial position will be monitored to assess the progress and whether other strategies are required, including a block transfer request in 2025/26 of c.£2.400m.
- 3.7 **Early Years** – At least 95.30% of the core early years funding entitlements will be allocated to early years providers across the core funding entitlements. Manchester is proposing to passport the **full** increase in the funding rates to providers across all entitlements. Additionally, funding will be allocated for early years pupil premium (EYPP), disability access fund (DAF) and maintained nursery school supplementary fund.
- 3.8 In total £1.717m is being retained by the Council, for the teams that support and administer the early years offers and to fund individual children with additional needs who attend nursery in the private, voluntary and independent (PVI) sector. This will provide targeted intensive support and intervention for children in early years PVI settings where data shows a widening gap compared to the national/local data and high levels of deprivation a predominant factor. This will support the HNB recovery plan with earlier intervention and better outcomes.
- 3.9 **Under two-years** (from 9 months) entitlement, starting September 2024 Manchester is proposing to passport the full funding rate of £11.61 per hour onto providers. This is to support sufficiency within the early years sector and to facilitate providers with the new expanded entitlements.
- 3.10 The **Two-year-old** offer funding rate is increasing by £1.03 per hour from the current rate (£2.76 increase from April 2023). The Schools' forum has recommended that the two-year-old funding (both disadvantaged and working parents) is passported to early years providers under a flat base rate 2024/25.
- 3.11 The **Three and four-year old** base rate old funding rate is increasing by 27p per hour, the proposal is to fully passport this to providers by increasing the basic hourly rate to £5.15.

#### **4. Dedicated Schools Grant (DSG) Medium Term Financial Planning**

- 4.1 The schools block and early years block budgets are expected to balance over the next three years, based on previous trends and forecast data. However, the HNB, which provides funding for pupils with special educational needs, is projected to overspend by between £3.993m and £13.630m each year. This is in line with national trends, with the collective national deficit on the HNB now standing at over £3bn. There is a comparatively smaller pressure on the central school services block (CSSB).



4.2 Table seven shows the projected DSG deficit for each year considering the HNB recovery and in contrast also illustrates the DSG position pre-recovery, where no recovery is considered. The table shows an increasing DSG deficit by year three 2026/27, ranging from £4.015m (post-recovery) to £30.484m (pre-recovery).

**Table seven: DSG three-year forecast**

DSG Pressures	HNB - Post Recovery			HNB – Pre-Recovery		
	2024/25	2025/26	2026/27	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m
Central School Services (CSSB)	0.078	0.150	0.246	0.078	0.150	0.246
High Needs Block (HNB)	0.000	0.000	0.000	3.993	8.846	13.630
Total In-Year Deficit	0.078	0.150	0.246	4.071	8.996	13.876
B/fwd deficit	3.541	3.619	3.769	3.541	7.612	16.608
<b>Total Deficit</b>	<b>3.619</b>	<b>3.769</b>	<b>4.015</b>	<b>7.612</b>	<b>16.608</b>	<b>30.484</b>

4.3 The funding shortfall for pupils with high needs and central services block within the DSG remains a significant risk for the Council. It must be addressed as the statutory override preventing the Council from including the accumulated deficit in its general fund balances is set to end on 31 March 2026. If the override was lifted the negative balance could impact on the Council's overall financial sustainability.

## **5. Conclusion and Recommendations**

5.1 Final DSG figures were released in late December 2023 along with the Early Years Block and the October 2023 pupil census and other census data that are used to determine schools' actual budget allocations for next year. Changes in formula and budget are outlined in the report

5.2 There is an increasing DSG deficit by year three 2026/27, ranging from £4.015m (post-recovery) to £30.484m (pre-recovery). The funding shortfall for pupils with high needs and central services block within the DSG remains a significant risk for the council. It must be addressed as the statutory override preventing the council from including the accumulated deficit in its general fund balances is set to end on 31 March 2026.

5.3 Council is asked to note:-

### **Schools Block**

- All Manchester primary and secondary schools should receive a per pupil increase of 0.5% minimum. The local funding formula's average per pupil increase is 1.88%

- Manchester does not intend to propose a 0.5% transfer from the school block to high needs 2024/25, given the anticipated impact of the High Needs recovery plan.
- Explicit growth fund to include budget for setting up SEN and Inclusion Units in mainstream schools.

### **High Needs Block**

- The 4.10% increase in this part of the grant is not expected to cover anticipated inflation and growth in demand.

### **Early Years Block**

- The full increase in the early years funding rates to be passed onto providers, across all entitlements.

### **Central Services Schools Block**

- Central services school block (CSSB) funding on a per pupil basis has remained the same as 2023/24. This block will continue to be under pressure to stay within budget, given the additional burden due to the new admission code, with no reduction in other functions councils are required to provide.