



CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE
21 JANUARY 2020

JOINT REPORT OF THE DIRECTOR OF CHILDREN AND FAMILY SERVICES AND THE DIRECTOR OF CORPORATE RESOURCES

MEDIUM TERM FINANCIAL STRATEGY 2020/21–2023/24

Purpose of Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2020/21 to 2023/24 Medium Term Financial Strategy (MTFS) as it relates to the Children and Family Services Department;
 - b) Ask members of the Committee to consider any issues as part of the consultation process, and make any recommendations to the Scrutiny Commission and the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2019. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2020/21–2023/24 was considered by the Cabinet on 17 December 2019.

Background

3. The MTFS is set out in the report to Cabinet on 17 December 2019, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Children and Family Services Department.
4. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this Committee will be reported to the Scrutiny Commission on 27 January 2020. The Cabinet will consider the results of the scrutiny process on 7 February 2020 before recommending a MTFS, including a budget and capital programme for 2020/21 to the County Council on the 19 February 2020.

Service Transformation

5. The transformation programme continues to be targeted at the development and implementation of a sustainable, cost effective operating model for the Children and Family Services Department that improves outcomes for children and young people in Leicestershire.

6. The department has significant transformation projects charged with delivering the Medium Term Financial Strategy (MTFS) savings in relation to the development of the Care Placement Strategy, children's centres and early help services and services for pupils with High Needs.

Proposed Revenue Budget

7. The table below summarises the proposed 2020/21 revenue budget and provisional budgets for the next three years. The proposed 2020/21 revenue budget is shown in detail in Appendix A.

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Original prior year budget	73,918	80,914	84,444	88,094
Budget Transfers and Adjustments	1,126			
Sub total	75,044	80,914	84,444	88,094
Add proposed growth (Appendix B)	7,795	4,200	4,350	4,550
Less proposed savings (Appendix B)	-1,925	-670	-700	-700
Proposed/Provisional net budget	80,914	84,444	88,094	91,944

8. Detailed service budgets have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary.
9. The central contingency also includes provision for an annual 1% increase in the employers' contribution to the Local Government Pension in line with the requirements of the actuarial assessment.
10. The total gross proposed budget for 2020/21 is £330.9m with contributions from specific grants, health transfers and service user and partner contributions projected of £250m (including £110m, excluding schools, of services funded from the Dedicated Schools Grant. The proposed net budget for 2020/21 totals £90.9m and is distributed as follows:

Net Budget 2019/20	£ million
Directorate	1,148
Safeguarding, Improvement and Quality Assurance	2,149
Children in Care	41,018
Field Social Work	12,979
Practice Excellence	329
Children and Families Wellbeing Service	8,805
Education Sufficiency	204
Education Quality and Inclusion	1,477
SEND and Children with Disabilities	6,507
Business Support and Commissioning	6,298
Department Total	80,914

Other Changes and Transfers

11. A number of budget transfers (totalling a net increase of £1.1m) were made throughout the 2019/20 financial year and are now adjusted for in the updated original budget. These transfers mainly relate to inflation and pay awards.
12. Growth and savings have been categorised in the appendices under the following classification:
 - * item unchanged from previous MTFs;
 - ** item included in the previous MTFs, but amendments have been made;
 - No stars new item.

This star rating is included in the descriptions set out for growth and savings below.

Savings have also been classified as Transformation or Departmental and highlighted as “Eff” or “SR” dependent on whether the saving is seen as an efficiency or a service reduction or a mixture of both. “Inc” denotes those savings that are funding related or to generate more income.

Growth

13. Growth over the next four years in the local authority budget totals £20.895m, including £7.795m in 2020/21. The budget increases are outlined below and summarised in Appendix B. Before the MTFs report to Cabinet on 7 February 2020, the provisional MTFs will be reviewed and if appropriate updated by the latest budget monitoring position for 2019/20. The social care placement budget, and that for placements for children and young people with special educational needs and disabilities (SEND), is subject to volatility.
14. The following paragraphs provide the detail for each growth item;

**** G1 - Social Care Placements £4.25m 2020/21 rising to £13.6m in 2023/24**

Leicestershire's Looked After Children (LAC) number at 31/3/2019 was 585, the current forecast anticipated an increase of 11%. Current projections indicate a LAC increase of 12%. In addition, some children have entered the system with significant and complex needs which have resulted in costs of almost 100% increase in comparison to the average cost of that placement type. Furthermore, whilst the net increase of placement provision has been relatively stable, the increase in the average weekly cost of provision is increasing, projected by the end of the 2019/20 financial year, the average weekly cost to social care of external residential placements will have risen by over £300 p/w and 16+ supported accommodation placements to increase by £117 p/w. A combination of placements with increased complex needs and also market factors are together contributing to the projected increased average weekly cost of placements to children's social care.

***G2 - Removal of time-limited growth – Supporting Leicestershire Families -£1m 2020/21**

The 2018/19 MTFs made provision for a one off £2m in growth (£1m in both 2018/19 and 2019/20) to maintain the current service levels until September 2020 and confirmation was received of the Government's future funding intentions for the national Troubled Families Programme. The Government has now confirmed the grant for 2020/21 which means that the service can operate in its current model to the end of

March 2021. A further review of resources will be undertaken once the government's intention on future funding post 2020/21 for the national programme is known.

*G3 - Special Educational Needs Assessment Service - £0.135m 2020/21

Growth was provided in 2019/20 to enable the service to meet the local authority's statutory duty to assess children and young people for an Education, Health and Care Plan (EHCP), this relates to the full year impact of that growth. Caseloads and performance will continue to be monitored to understand the impact of changes in volumes. A review of processes and ways of working within the service is being undertaken and supported by the Transformation Unit.

G4 - Social Care Staff – Increased Caseloads £2.4m 2020/21 rising to £5.34m 2023/34

Investment in additional social worker capacity is required to ensure appropriate caseloads. The department has remained reliant upon agency social workers during 2019/20 and continues to report an overspend in this area. This growth is requested to allow the department to respond to continued demand increase and provide capacity in the workforce to reduce the reliance on agency staff. The recruitment and retention strategy adopted during 2018/19 is attracting staff who are choosing to work and remain in Leicestershire despite higher salaries in neighbouring local authorities. A project is being scoped that will analyse ways of working with the aim of setting out a new operating model. Consideration is being given to the methodology of that review and the role of Barnardo's as the department's strategic partner. It is hoped that this review will identify alternative ways of working to improve efficiency and reduce the level of future growth.

G5 - Social Care Staff Market Premia £0.6m 2020/21 rising to £0.66m in 2023/24

There are significant difficulties both nationally and locally in recruiting social workers, as a result the market place is extremely competitive and there are significant differences in pay structure and grades across the East Midlands. Growth of £500k was approved in the 2018/19 MTFs for the implementation of the recruitment and retention strategy and also the establishment of market premia for certain posts. The use of this funding has been reviewed and is largely supporting the recruitment and retention element of the strategy such as advertising, working alongside partner organisations and developing the Leicestershire offer to social workers. Further growth is now required to maintain payment of the market premia to an expanded workforce. It will be necessary to ensure that the employment market is monitored, the Leicestershire approach may need to be amended in the future to ensure Leicestershire is seen as the employer of choice.

G6 – Educational Psychology Service £0.3m 2020/21

SEND reforms implemented in 2014 have resulted in a significant increase in the number of children being assessed for Education, Health and Care Plans (EHCP's). A local authority has a duty to seek the advice of an Educational Psychologist about the needs of a child or young person if it is considering making an Education, Health & Care Plan. Since 2017 the number of requests for assessment have increased from 669 to an estimated 1,029 (54%) and requests for advice increased from 329 to 782 (117%). To fulfil this duty and to continue operating a traded support model for schools requires an additional four main grade psychologists. An increase in staff is required to ensure that the Council is able to fulfil its duty to complete the EHC needs assessment process within mandated timeframes and its ability to defend decisions at tribunal will not be compromised.

G7 – Loss of SEND Reform Grant £0.31m 2020/21

A revenue grant was introduced to support the implementation of SEND reform and particularly the conversion of the previous Statements of Special Education Needs, to EHCP's. The Department for Education (DfE) have confirmed that this grant has been withdrawn from 2019/20 onwards. In awarding the grant the DfE viewed that the changes resulting from the reform would be one off and once the new system was fully embedded in practice that there would be no additional costs for local authorities. However, under the reform the EHCP assessments require more resource and maintaining the local offer is a recurrent and significant new requirement.

G8 – Pupil Referral Unit Transport £0.05m 2020/21

Local authorities have a statutory duty to provide home to school transport and a budget remains within the department for home to school transport for the Oakfield Pupil Referral Unit (PRU) at Blaby. The PRU provides educational support for primary pupils excluded, or at risk of exclusion, from Primary schools, as a result pupils travel from across Leicestershire to attend Oakfield and travel costs are difficult to predict as a result but are increasing. In the aim of reducing costs and providing a better educational environment for pupils a new operating model has been established whereby pupils effectively begin their education once under transportation and are supported by Learning Support Assistants. This provides pupils with a more rounded educational experience. At the November Cabinet it was agreed that Oakfield will move from its current location and that new provision be established on two sites. It is envisaged that the revised transport offer and the Oakfield provision on two separate sites will have a positive impact on transport costs in the medium term.

G9 – Unaccompanied Asylum Seeking Children £0.75m 2020/21 rising to £1.5m 2023/24

Demand on this budget continues to increase over recent financial years and is projected to do also in 2019/20 as a result of the volume of children requiring support. This has resulted in increased need for additional staffing to manage demand. Most of these children arrive 'spontaneously' and on arrival are the statutory responsibility of the local authority in which they arrive. The Home Office has increased funding rates for 2019/20 which, based on 18/19 activity, is projected to reduce the budget pressure by £230k. Nevertheless, it is still not sufficient to plug the overall budget pressure. This is an exceptionally volatile budget and it is exceptionally difficult to predict future numbers with any great certainty.

Savings

15. Details of proposed savings for the local authority budget are set out in Appendix B and total £1.9m in 2020/21 and £4m over the next four years in total. Additionally the High Needs Development Plan aims to ensure sustainable services for children and young people with Special Educational Needs (SEN) within the High Needs Block of the Dedicated Schools Grant (DSG), in order to achieve this objective cost reductions of £m are required over the period of the MTFS.
16. The following paragraphs provide the detail of each savings item;

* CF1 Eff - New Departmental Operating Model - £0.1m 2020/21

This target is unchanged from the 2018/19 MTFS. During 2018/19 a revised operating structure has been established and embedded for Heads of Service and for all business

support across the department. The review of business support has identified further cost saving options for delivery in 2020/21 through the establishment of common service

** CF2 Eff – Reduction in Social Care Placement Costs -£1.5m 2020/21 rising to -£3.6m 2023/24

This is a merger of the previous CF2, CF3 and CF4 which placed savings targets on the recruitment of additional mainstream and specialist foster carer placements and savings targets on the wrap around support service MISTLE. The Department entered into its strategic partnership arrangements with Barnardo's in 2018 and has subsequently developed a number of work packages. The Children's Innovation Partnership Board has agreed in principle, subject to a positive business case, to a new operating model including developing a Hub that will deliver a peripatetic support service to make assessments and resources needed to ensure children have the right placement at the right time. This will include the development of assessment places attached to the Hub. It also proposes the development of three properties to provide flexible, needs-led provision.

Other activities continue to be undertaken to reduce unit costs, including the continued recruitment of foster carers, the development of a new local framework for providers and the Dedicated Support Team working intensively with in high cost placements or placements at risk of breakdown resulting children stepping down into lower cost placements. This budget is volatile and changes in demand and placement mix can have a significant impact on overall costs.

*CF3 Eff/SR – Early Help Review -£0.25m 2020/21

The Early Help review resulted in the establishment of the Family Wellbeing Service which became operational in April 2019. This merged several functions including the re-designation of children's centres. This is the realisation of the full year impact of savings and relates to staff notice periods and property costs that could not be realised until 2010/21 and fully achieves the overall savings requirement of £1.5m.

* CF4 Eff – Review of Staff Absence -£0.075m 2021/22

Staff absence targets have been allocated to all departments based on the intention to meet or exceed the County Council's target of 7.5 days per FTE. Significant progress is being made across the department through the robust application of the Absence Management Policy, the use of absence Star Chamber meetings and monthly absence reporting to DMT. A figure of 10.75 per FTE was recorded in November 2018, this has reduced to 9.69 days per FTE in September 2019. The target for 2020/21 is, based on the current trajectory, achievable.

*CF5 Inc Academy Conversion £30k 2021/22

Charging for academy conversion was introduced in the 2017/18 MTFs and was based on the DfE's expectation that all maintained schools were to be required to convert to academies. This adjustment removes the income target as a result of changes in national policy regarding academy conversion.

Savings Under Development

17. The Department continues to progress work with the support of the Transformation Unit and Barnardo's to rationalise services, achieve value for money and improve services for children, young people and their families. Current activities are aimed at containing

demand and reducing the need for growth. Two initiatives are targeted with delivering savings.

Children's Innovation Partnership – the partnership has delivered a design brief on a new model for residential care which is being worked into a business case to identify the initial revenue and capital resource for implementation and future revenue savings. This will be completed early in the new year.

Service Redesign for SEND Services - the Transformation Unit is supporting the department with a diagnostic review which is considering the process from referral for an Education, Health and Care Plans (EHCPs) and the way SEND services are delivered. This will not contribute to the MTFS savings target of £4m but will contribute to the recovery of the High Needs Deficit.

18. Other measures will need to be identified and developed to meet the remainder of the £4m target.

Dedicated Schools Grant

19. For 2020/21 the Dedicated Schools Grant (DSG) remains calculated in four separate blocks as set out below;

Funding Block	Areas Funded	Basis for Settlement
<p>Schools Block £417.9m consisting of;</p> <ul style="list-style-type: none"> • School formula funding £414.8m • School Growth £3.1m 	<p>Individual budgets for maintained schools and academies.</p> <p>Growth funding for the revenue costs of delivering additional mainstream school places and to meet the local authorities duty to ensure a sufficient number of school places.</p> <p>DSG is notionally allocated to Leicestershire for all maintained schools and academies. A locally agreed funding formula is applied to this to determine school budgets, for maintained schools these are allocated directly by the local authority, for academies the funding is recouped from the settlement by the Education and Skills Funding Agency (ESFA) who then directly fund academies.</p>	<p>2020/21 continues the movement towards a National Funding Formula (NFF) for schools which attributes units of funding to pupil characteristics. The grant settlement is based on;</p> <ul style="list-style-type: none"> • the aggregate of pupil led characteristics for each individual school • an allocation for school led factors based on 2018/19 expenditure. <p>These allocations will be fully delegated to schools.</p> <p>The NFF means that all local authorities receive the same amount of funding for a number of pupil related characteristics. Difference in funding levels relate to the incidence of pupil characteristics rather than differing funding levels</p>

		<p>The allocation of funding for to support new school growth will be retained to meet the future costs of new and expanding schools.</p> <p>In respect of school formula funding this represents a cash increase of 6%, for growth this is an increase of 29%</p>
<p>Central School Services Block £3.261m</p>	<p>This funds historic financial commitments related to schools such as premature retirement costs, some budgets related to schools that are centrally retained e.g. admissions, servicing the Schools Forum and school copyright licences. This block now includes funding from the retained duties element of the former Education Services Grant for the responsibilities that local authorities have for all pupils such as school place planning and asset management.</p>	<p>This is distributed through a per pupil allocation basis and is retained by the local authority.</p> <p>The funding allocation for some historic financial commitments is being reduced nationally from 2020/21 as the DfE have an expectation that these financial commitments will naturally expire. However, this element of funding meets the cost of historic premature retirement costs for teaching staff that will remain. This will be a financial pressure for the medium term as this funding is phased out but commitments retained.</p> <p>Overall this is a decrease of 4% over the 2019/20 baseline.</p>
<p>High Needs Block Est £74.8m</p>	<p>Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and support services for high needs pupils including high needs students in further education provision.</p> <p>As with the Schools Block</p>	<p>The formula is based upon population of 0 -19 year olds and proxy indicators for additional educational need including deprivation, ill health, disability and low attainment. Also included is an element based on historic spend. The formula also includes a funding floor to</p>

	<p>this includes funding for special academies and post 16 providers which is recouped by the ESFA who then directly fund academies.</p> <p>Confirmation of the 2020/21 grant is not expected until March 2020.</p>	<p>ensure that local authorities do not receive a funding reduction as a result of the introduction of the formula, Leicestershire receives £m through this element.</p> <p>The grant allocation includes the additional funding announced by the DfE in September 2019 and is an increase of % from the 2019/20 baseline</p>
Early Years Est £35.5m	<p>Funds the Free Entitlement to Early Education (FEEE) for 2, 3 and 4 year olds and an element of the early learning and childcare service.</p> <p>The grant is based on the universal hourly base rate plus additional needs measured with reference to free school meals, disability living allowance and english as an additional language.</p> <p>The initial settlement is based on the October 2019 census, the grant will be updated in July 2020 for the January census and again in June 2021 for the January 2021 census. The final grant will not be confirmed until June 2021.</p>	<p>The allocation is based on individual pupil characteristics and converted to a rate per hour of participation. Leicestershire receives the lowest rate of £4.38 per hour for 3 and 4 year olds and the lowest rate of £5.28 per hour for disadvantaged 2 year olds.</p> <p>This position is an increase of funding of £0.08 per hour on each rate, +1.8% for 3 & 4 year old funding and +1.5% for 2 year old funding from the 2019/20 baseline</p>
£531.461m	2020/21 Estimated DSG	

20. The 2020/21 MTFS sets the overall Schools Budget as a net nil budget at local authority level. However, in 2020/21 there is an annual funding gap of £10.531m which will be an overspend against the grant. For deficits that exceed 1% of DSG local authorities are required to submit a recovery plan to the DfE, it is expected that a submission will be required for each year of the MTFS.

Schools Block

21. 2020/21 sees a further movement towards the National Funding Formula (NFF), this funds all pupils at the same rate irrespective of the authority in which they are educated.

The NFF uses pupil characteristics each with a nationally set funding rate to generate school level funding to local authorities. Within the NFF only the per pupil entitlement is universal to all, other factors reflect the incidence of additional needs such as deprivation and low prior attainment. Funding levels between local authorities and individual schools within those local authorities, vary as a result of pupil characteristics rather than national funding levels.

22. School funding remains a 'soft' school funding formula for 2020/21. A 'soft' formula is where NFF calculates notional school allocations based upon pupil characteristics to generate the grant allocation, local authorities then apply their own local funding formula to generate individual school budgets. The Department for Education (DfE) have confirmed their intention to move to a 'hard' formula as soon as possible where every school budget will be set on the basis of a single, national formula. They have not given any timescale for implementation. The proposed Leicestershire school funding formula continues to reflect the NFF. For 2020/21 it is proposed to add two additional funding factors to reflect sparsity and mobility. The 2020/21 Schools Block provisional DSG settlement is £409.7m, which is based upon the 2018 October school census. This will be updated to the October 2019 school census and reissued in December.
23. Within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places. This cannot be confirmed until the 2019 October census information is received, the allocation for 2019/20 was £2.3m. The revenue cost of commissioning a new school ranges from £0.5m to £0.8m for a primary and £2.2m to £2.5m for a secondary, depending upon size and opening arrangements. 26 new primary and 3 new secondary schools are expected to be built in Leicestershire in the medium to long term. The revenue requirement for new schools is difficult to assess as it is dependent upon the speed of housing developments, growth in the basic need for additional school places, the school funding formula and the level and the methodology for the DSG growth funding calculation. However, early estimates suggest the cost can be managed within the existing grant. Expenditure is expected to rise annually from 2021/22 and to peak at £5m in 2023/24, annual underspends in growth funding will be set aside in the DSG Earmarked Fund to meet this peak. This position will be closely monitored.

School Funding Formula

24. Nationally schools will receive a minimum per pupil increase in funding of 1.84% per pupil with no capping on increases. Whilst there is no timescale for the implementation of the 'hard' formula for 2020 the minimum per pupil funding levels of £3,750 for primary and £5,000 for secondary have been made mandatory which is a further step toward the DfE's intention. Despite the overall increase in budget, at individual school 70 (32% of primary schools and 1 (2%) of secondary schools remain on the funding floor with an increase of 1.84% per pupil. These schools, despite additional funding, will experience a real terms decrease in income. As the funding guarantee is at pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.
25. The 2018/19 and 2019/20 school funding formula was agreed by Cabinet on 9 January 2018 which largely mirrored the NFF. Consultation was undertaken with schools in October on the introduction of two additional factors;
 - Sparsity - this was originally omitted from the Leicestershire formula as its impact was minimal. 50% of the 102 schools that responded to this element of the

consultation agreed with its inclusion. It is proposed that this is included in the 2020/21 formula.

- Pupil Mobility – this is a new element in the Leicestershire funding allocation for 2020/21. 61% of the 101 schools that responded to this element of the consultation agreed with its inclusion. It is proposed that this is included in the 2020/21 formula.

Schools Forum considered the changes at its meeting of 6 November 2019 and supported their inclusion in the 2020/21 school funding formula.

26. The introduction of these two factors will ensure that the Leicestershire formula fully reflects the NFF. All other factors remain unchanged and fully reflect the DFE funding values for 2020/21. Cabinet will consider the change at its meeting of 7 February.

High Needs

27. The escalating cost of providing SEND services is one of the main financial pressures impacting local government nationally. This is reflected in the draft MTFS, presented to Cabinet in December, where expenditure was forecast to exceed the available grant by £6m in 2020/21, resulting in a cumulative deficit of £13m by 2021/22.
28. Following confirmation of pupil destinations for the 2019/20 academic year demand for packages to support pupils was found to have increased. Additionally, unit costs for placements at special schools and mainstream have increased. Through the High Needs Development Plan an additional 90 places were made available. However, this additional local capacity has simply met the increase in overall demand and not allowed the use of independent provision to reduce. The additional capacity still has a positive cost avoidance impact of £2.2m, as otherwise pupils would have required independent special school placements.
29. The draft MTFS will need to be updated before it is presented to Cabinet for approval, to reflect these changes. For 2020/21 it is estimated that the funding gap will be £11m, assuming that current demand trends continue. The cumulative deficit, incorporating the £3m 2019/20 additional expenditure, is expected to total £19m at the end of 2020/21. A forecast is currently being developed for future years and the financial deficit is expected to continue increasing.
30. The Department are investigating a number of actions that could over the course of the MTFS reduce demand and therefore the overall deficit.
31. Government announced in September 2019 that additional High Needs funding of £700m would be available to local authorities, this equated to £5.5m for Leicestershire. It is anticipated that this funding will continue and the DfE has indicated that the future high-level funding increases that were also announced will include high needs increases.
32. The provisional High Needs DSG is £74.8m. This will be updated in June 2020 for the most recent data. The formula allocates funding across a set of pupil-related indicators and also includes an allocation based on historic spend. For 2020 Leicestershire receives the minimum guaranteed increase of 8% per pupil with the formula retaining £2.3m of protection funding, which is not guaranteed in the long term.
33. The High Needs Development Plan is the Council's approach to planning, commissioning and delivering SEND services focused on three key areas:

- To develop and embed an inclusive approach to practice amongst schools, LA staff and other settings;
 - The modernisation of SEN Services through improved commissioning, processes, decision making and quality assurance;
 - The development of a range of cost effective, high quality local provision.
34. The project is taking a holistic view of the whole SEN system. It is now fully staffed and mobilised.
 35. Leicestershire continues to invest in developing additional specialist provision to reduce costs. The 2020/21 Medium Term Financial Strategy (MTFS) continues that approach and includes a proposed capital programme of £17.8m and recognises that a further £10m may be required for an additional special school in the future. Whilst the DfE provides local authorities with funding to meet basic need increases in mainstream schools, no funding is available to meet the opening costs and diseconomies of scale for expanding specialist provision. The estimated revenue cost of bringing the new provision to capacity is £6.3m. This adds to the High Needs deficit.
 36. The savings built into the High Needs Development Plan are delivered by increasing local capacity to reduce the use of more costly independent provision and reducing overall demand, these are at risk should demand continue to increase.
 37. Local authorities can transfer a maximum of 0.5% of funding from the Schools Block to High Needs following consultation with schools and approval from the Schools Forum. Transfers in excess of 0.5% can be undertaken but require the permission of the Secretary of State, as can approval of the 0.5% should Schools Forum not approve a transfer. A transfer would have yielded c£2m which would reduce the high needs deficit
 38. Consultation was undertaken with schools in October on a transfer from the schools block to high needs. 103 schools responded to the consultation with 84% disagreeing with the proposal. Schools Forum considered the proposal at its meeting on 6 November 2019 and unanimously rejected the proposal. Cabinet on 22 November 2019 resolved not to pursue a transfer for 2020/21 but noted that should the high needs block deficit continue to increase, it may be necessary to consider further measures, including the transfer of funding, in future years.
 39. A DSG deficit has been able to be carried forward to the following year with the approval of the Schools Forum. However, the DfE have recently removed the need for Schools Forum approval to carry forward of a deficit and prohibiting local authorities from contributing to DSG without the approval of the Secretary of State. Whilst the DfE view is that this change would remove concerns raised by auditors it will require local authorities will be required to set aside revenue funding to offset the liability. This will require expenditure reductions in other areas of the local authority.

Central Services Block

40. The central services block funds a number of school related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs.
41. The DfE have stated that their expectation is that over a period of time historic costs should 'unwind', as commitments reduce, for example a reduction in pensioners. To

reflect that grant allocations have been reduced for 2020/21, for Leicestershire the reduction is £0.13m. This element of the grant meets costs such as previous commitments for premature retirement costs and school improvement. The reduction can be partially offset against other grant funding in the short term but does create a financial pressure that will increase as further reductions are implemented. The 2020/21 settlement is £3.2m, a decrease of 4.1%.

Early Years Block

42. Nationally early years funding has been increased by £66m. The grant remains determined by the number of children participating in early years education. The funding supports the 30 hours Free Entitlement to Early Education (FEEE) for eligible parents and continued delivery of the early years offer for disadvantaged two year olds. The increase in funding equates to 8p per hour, Leicestershire continues to receive the lowest rate per hour at £5.28 per hour for two year olds and £4.38 per hour for 3 and 4 year olds. The maximum of 5% of the overall settlement is retained to fund the early learning service which fulfils local authority's statutory duty to ensure sufficiency of places for those parents that request one.

Other Funding Sources

43. Grants are largely received from the DfE who to date have not confirmed many of the grant allocations, it is assumed that grants will continue at 2019/20 levels. This lack of certainty results in planning both within the Children and Families Department and within schools difficult. The specific grants for the department are detailed below;
- Dedicated Schools Grant (DSG) (£531.461m est). The purpose of this grant is detailed in other sections of this report.
 - Maintained School sixth forms (£0.445m est). This funding is paid to the local authority by ESFA) for maintained school sixth forms. The allocations are made according to a national formula and paid over to school in full. Academies with sixth forms receive this funding directly from the ESFA.
 - Pupil Premium (£5.366m est). Passported to schools to raise the attainment of disadvantaged pupils. This figure excludes academy allocations with are paid directly by the ESFA. No formal announcement has been made on 2020/21 funding rates and it is assumed that the 2019/20 rates will continue.
 - Universal Infant Free School Meals (£2.847m est). The Children and Families Act 2014 placed a legal duty on all state-funded schools in England to offer a free school lunch to all pupils in reception, year 1 and year 2 from September 2014. This grant is fully passported to schools to fund this responsibility. This figure excludes academy allocations with are paid directly by the ESFA. The grant has not been confirmed and is assumed to be at the same level as 2019/20.
 - PE and Sports Grant (£1.526m est). The grant is passported to schools to deliver additional and sustainable improvements to the provision of PE and sport for the benefit of all pupils to encourage the development of healthy, active lifestyles.

This figure excludes academy allocations which are paid directly by the ESFA. The grant has not been confirmed and is assumed to be at the same level as 2019/20.

- Asylum Seekers (£0.9m est). This supports the cost of supporting unaccompanied asylum seeking children. The grant is variable and dependent upon the number and age of children supported, it is assumed that the grant remains as 2019/20.
- Staying Put Implementation Grant (£0.09m est). The Children and Families Act 2014 introduced a new duty on local authorities to support young people to continue to live with their former foster carers once they turn 18 (the 'Staying Put' duty). This duty came into force on 13 May 2014. The grant has not been confirmed and is assumed to be at the same level as 2019/20.
- Virtual School (£0.09m est). The Children and Social Work Act 2017 places a new duty on local authorities to provide for the education of certain previously looked after children and supported by the provision of a specific grant. The grant has not been confirmed and is assumed at the same level as 2019/20.
- Personal Advisors to Care Leavers (£0.4m est). The children and Social Work Act extended the duty on local authorities to provide Personal Advisor (PA) support from age 21 to age 25 if they wish to access this support. The new burdens assessment suggested that this grant will increase in 2019/20, however the grant has not been confirmed and has been assumed to be at the same level as 2019/20.

- Youth Justice Good Practice (£0.456m). The purpose of the Youth Justice Good Practice Grant is to develop good practice and commission research, with a view to achieving a reduction in youth re-offending, reduction in the numbers of first time entrants to the justice system and reduction in the use of youth custody. The grant has not been confirmed and is assumed to be at the same level as 2019/20.
- Troubled Families Programme (£1m). Three elements of grant are received from the Government for this national programme, the first for engaging families within the programme, the second is payment for results for meeting the Governments targets and the third to fund service development.
- School Improvement Grant (£0.333m est). This was a new grant from September 2017 for local authorities to co-ordinate school improvement activity in mainstream schools.
- Early Years Disability Access Grant (£0.114m est). Supports access for children with disabilities to attend nursery providers
- Early Years Pupil Premium (£0.146 est). Supports deprived children accessing the free entitlement to early education.
- Teachers Pay Grant (£1.156m est). This grant provides funding towards the 2018 and 2019 teacher pay awards and meets the estimated cost of the increase in excess of 2%. This grant is passported directly to maintained schools with academies receiving funding directly from the ESFA.
- Teachers Pension Grant (£3.486m est). This grant provides funding to both maintained schools and local authorities for the increase in the employer cost of the teachers pension scheme in September 2019.

Capital Programme

44. The draft Children and Family Services capital programme totals £127.7m over the next four years including £31.71m in 2020/21. The draft programme and funding are outlined below and summarised in Appendix C. It is envisaged that over the four years of the MTFS an additional 5,900 mainstream school places and an additional 500 places for children and young people with SEND will be created.
45. The programme is partially funded by external grant and developer S106 contributions:

Basic Need Grant - is received from the DfE based upon the need to create additional school places. Grant of £8.751 for 2020/21 has been confirmed but has been estimated at £8.8m for the final three years of the programme, the timing of announcements of grant for these latter of the MTFS are uncertain although a settlement for 2021/22 is expected in the spring. The grant reflects the overall place need across the County and for both maintained schools and academies. The grant meets the infrastructure costs of creating new places in primary and secondary schools. Eligible revenue costs fall to be met from the local authorities growth fund funded from DSG for primary and secondary schools. No funding is received for the revenue and capital costs of additional places for SEND.

Strategic Maintenance Grant – is received from the DfE for the maintenance of maintained schools only. Grant is based on a formula that considers pupil numbers and overall condition of the school estate. Allocations for the MTFs period are yet to be confirmed. The grant reduces as schools convert to academies.

S106 Contributions – it is estimated that a total of £68.3 of S106 contributions will be received to fund the proposed programme, £8.9m in 2020/21. Estimates for the latter two years of the MTFs are uncertain and are dependent upon the speed of housing developments. It is estimated that the full costs of new schools required on new housing developments will be fully funded from s106 contributions.

SEND Provision Capital Grant – this grant was announced during 2017/18 by the DfE and in response to the introduction of the National Funding formula for High Needs to provide local authorities with capital to develop cost effective SEN provision and is confirmed at £1.2m in 2020/21. There is no indication that this funding will continue past this point.

Free School Bid

The programme includes funding from the DfE for £8m to build a new 50 place special school for children with Social, Emotional and Mental Health (SEMH) needs in Shephed. The DfE has approved the bid and negotiations are on-going with the on the scope and funding arrangements for the build.

Draft Capital Programme 2020/21 – 2023/24

The draft capital programme is set out in the following table and shown in full in Appendix C;

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Additional School Places	19,180	24,170	20,600	35,000	98,950
SEND Programme	9,780	0	8,000	0	17,780
Other Capital	2,750	2,800	2,700	2,700	10,950
Total	31,710	26,970	31,300	37,700	127,680

46. The draft programme has been developed on a priority basis and within that schemes are at different stages of development. For some schemes contractors' prices have been obtained but for others costs are indicative and based on exemplar and / or similar schemes. In order to minimise risk where contractors prices have not yet been obtained contingency is held to mitigate against any increase in cost. As prices are confirmed schemes will be re-evaluated and re-prioritised as necessary.
47. The programme is focused on two significant areas; the need to provide additional primary school places based on the assessed need through the annual school capacity assessment which also provides the basis for the Basic Need capital grant. It is estimated that additional places will be delivered in 2020/21, the location and number of the additional places can only be confirmed following the confirmation of school admissions in January and April 2020.

2020/21 Capital Programme

Schemes are focused on the need to develop additional primary school places in Ashby and Shepshed in 2010/21 with further new schemes in Castle Donnington, Thorpebury, West of Loughborough, Coalville, Lutterworth, Melton and Market Harborough over the remainder of the programme. The programme includes S106 developer contributions of £65.8m to deliver these new schools. It also includes contingency to address any unforeseen issues arising from September 2020 admissions data.

The programme also includes a total £9.8m investment in SEND provision to increase local provision through the development and expansion of SEN units and special schools to provide the infrastructure upon which the high needs development plan will be delivered. The programme will provide a total of 500 additional SEND places.

Background Papers

Presentation to Schools Forum 6 November 2019 – 2020/21 School Funding Proposals
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=6138&Ver=4>

Report to Cabinet 22 November 2019 – Special Educational Needs – Proposed Transfer of funding within Dedicated Schools Grant
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5608&Ver=4>

Report to Cabinet 17 December 2019 – Medium Term Financial Strategy 2020/21 to 2023/24
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6052&Ver=4>

Report to Cabinet 9 January 2018 – 2018/19 and 2019/20 School Funding Formula
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MID=5176#A153992>

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None.

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Appendices

Appendix A – Revenue Budget 2020/21

Appendix B – Growth and Savings

Appendix C – Capital Programme 2020/21 – 2023/24

Equality and Human Rights Implications

48. Public authorities are required by law to have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation;
 - Advance equality of opportunity between people who share protected characteristics and those who do not;
and
 - Foster good relations between people who share protected characteristics and those who do not.
49. Many aspects of the County Council's MTFS may affect service users who have a protected characteristic under equalities legislation. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those assessments will be revised as the proposals are developed to ensure decision makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.
50. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the action plan.