



CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE
19 JANUARY 2021

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

MEDIUM TERM FINANCIAL STRATEGY 2021/22–2024/25

Purpose of Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) as it relates to the Children and Family Services (CFS) Department;
 - b) Request 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 MTFS is the financial plan that is updated annually to set out the resource intentions of each department and the Council overall. The current MTFS was approved by the County Council on 19th February 2020. The draft MTFS for 2021/22–2024/25 was considered by the Cabinet on 15th December 2020.
3. The Children and Family Services Department is subject to a number of legislative duties to ensure the wellbeing and safeguarding of all children as comprised within the following:
 - The Children and Families Act 2014
 - The Care Act 2014
 - The Children Act
 - 'Working Together to Safeguard Children 2018' guidance.
4. Other relevant policies include:
 - Leicestershire County Council's Strategic Plan 2018-2022;
 - Children and Family Services Departmental Plan 2020-2023;
 - Voice and Influence Strategy 2020-2023;
 - Children and Family Services – Quality Assurance and Improvement Framework (QAIF).

Background

5. The MTFs is set out in the report to the Cabinet on 15th December 2020, 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.
6. 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 25th January 2021. A public consultation is running from 16th December 2020 to 17th January 2021. The Cabinet will consider the results of the scrutiny process and consultation on 5th February 2021 before recommending a MTFs, including a budget and capital programme for 2021/22, to the County Council on 17th February 2021.

Service Transformation

7. The Children and Family Services department is embarking on a significant programme of transformation across all its core services to deliver substantial cost efficiency savings and enable a sustainable, cost effective operating model whilst improving outcomes for children and young people in Leicestershire.
8. The proposed transformation comprises of four main extensive programmes:
 - **High Needs Development Programme**
A comprehensive development plan for Special Educational Needs and Disability (SEND) Services across Leicestershire, including the development of new high quality provision for children and young people with SEN and a review of systems and process to deliver improved services for children with SEN.
 - **Defining Children and Family Services for the Future (DCFSF)**
A holistic programme working intensively with consultants Newton Europe over the next 12-18 months to develop and future-proof Children and Family Services so that the right interventions are delivered in the right way, at the right time, to ensure that children, young people and families achieve the best possible outcomes while also ensuring that the service is financially sustainable going forwards. This will be achieved through focus on optimising practice, systems, culture, and operational delivery across the department.
 - **The Children's Innovation Partnership (CIP)**
In partnership with Barnardo's, alternative service delivery models are being designed culminating so far with an Assessment and Resource Team (ART), hub and assessment bed model and a residential build and conversion plan to improve the sufficiency and quality of residential provision within an agreed capital investment of up to £2.5m to create up to 12 placements.
 - **Departmental Efficiencies**
A programme of work is to identify and deliver efficiencies in the services and back office support functions that aren't in the scope of the other programmes, building on the in-year cost controls that were implemented in 2020 and utilising cost reduction model tools and methodologies.

Proposed Revenue Budget

9. The table below summarises the proposed 2021/22 revenue budget and provisional budgets for the next four years. The proposed 2021/22 revenue budget is shown in detail in Appendix A.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Original prior year budget	80,914	89,086	89,611	90,216
Budget Transfers and Adjustments	1,882	0	0	0
Sub total	82,796	89,086	89,611	90,216
Add proposed growth (Appendix B)	10,040	4,025	4,705	4,285
Less proposed savings (Appendix B)	-3,750	-3,500	-4,100	-4,650
Proposed/Provisional net budget	89,086	89,611	90,216	89,851

10. 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.
11. 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.
12. The total gross proposed budget for 2021/22 is £338m with contributions from specific grants, health transfers and service user and partner contributions of £249m projected. The proposed net budget for 2021/22 totals £89.1m and is distributed as follows:

Net Budget 2021/2022	£000
Directorate	1,194
Safeguarding, Improvement and Quality Assurance	2,338
Children in Care	48,744
Field Social Work	15,045
Practice Excellence	342
Children and Families Wellbeing Service	8,278
Education Sufficiency	444
Education Quality and Inclusion	1,601
SEND and Children with Disabilities	6,646
Business Support and Commissioning	4,455
Department Total	89,087

Other Changes and Transfers

13. Net budget increases totalling £1.88m were made during the 2020/21 financial year and are now adjusted for in the updated original budget. This increase comprises of the staff pay award £1.6m and fostering placement inflationary increases of £0.28m.

14. 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.

15. 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

16. Growth over the next four years in the Children and Family Services budget totals £23.1m, including £10m in 2021/22. The majority of this growth requirement relates to continued increases in demands (and the complexity of those needs) for children’s social care services culminating in increased placement costs and social workers.
17. The budget increases are outlined below with details for each growth item and summarised in Appendix B :

**** G1 - Social Care Placements £6.3m 2021/22 rising to £17.2m in 2024/25**

There has been a trend of demographic growth for Children’s Social Care locally and nationally and £3m growth was originally provided for next year (in the previous 2020/21 MTFS) rising to £9m by 2023/4 but as seen in the current year budget monitoring, placement costs are being incurred beyond this. The Children’s Social Care placement budget in 2020/21 is projecting a £2.9m (9%) overspend resulting in growth required both to address this current year shortfall and to support the forecast growth for future years.

The primary driver for the increased costs this year are an increase in the average unit cost which has changed from £3.5k to £4k per placement per week. This has been influenced by a number of children requiring residential placements to support very complex needs, subsequently leading to very high cost placements. The 16+ placements are experiencing similar trends with a 40% increase in the average unit cost which has moved from £1k per week to £1.4k.

Changes to case law and court directives in recent years have also had an adverse impact on the current budget situation. For example, there has been an increase in demand for parent and baby placements and there has been an increased pressure on Courts to keep parents and children together. Other market pressures, such as the impact of Covid-19 may also be a factor in the current increased unit cost although it is difficult to attribute individual factors as the single cause.

The Defining Children and Family Services and Children’s Innovation Partnership programmes both include focus on prevention & drift and ensuring the right setting first time. This includes creating an Assessment and Referral Team and Hub and additional residential multi-functional capacity which will have a positive impact on placement

availability and suitability reducing reliance on out of county placements and is reflected in the increased savings.

**** G2 – Front Line Social Care Staff – Increased Caseloads £3m 2021/22 rising to £4.9m 2024/25**

Investment in additional front-line social care staff capacity is required to ensure appropriate caseload levels and to continue to meet statutory duties.

Growth of social workers was included in last year's MTFS but it has become apparent that increased social workers and demands have also created an additional demand on infrastructure of supporting social care staff. The increased growth reflects this and all known demand pressures.

The department has historically had to use agency staff to maintain manageable caseloads across social workers and recruitment and retention strategies and plans were updated to reduce this reliance. During the current year, positive progress has been made recruiting social workers and reducing the reliance on agency. However, the coronavirus has impacted the scale to which this was to be achieved.

Within the Defining Children and Families Services programme there is an opportunity to re-design the social care pathway and target operating model ensuring further consistency and productivity improvements.

**** G3 - Social Care Staff Market Premia - £20k 2021/22 rising to £80K in 2024/25**

This growth remains unchanged from the previous MTFS other than extended for the new fourth year of the MTFS of 2024/25. This growth enables the council to continue to recruit and retain key social work staff in an extremely competitive market place where there are significant differences in pay structure and grades across the East Midlands.

**** G4 – Unaccompanied Asylum Seeking Children- £50k 2021/22 rising to £200k 2024/25**

Demand on this budget had previously increased significantly over the last couple of financial years. This resulted in a growth bid in the previous MTFS of £750k over the next 3 years for additional staffing to manage demand and funding above the levels provided by the Home Office.

The levels of demand and costs have largely been contained within budget for the current financial year, helped by the Home Office increasing the funding rates last year. Although increased demands are still a risk, there aren't any current known factors that suggest the previous growth is still required at that level, hence the reduction to £50k per annum (from £250k pa). This is a volatile budget though that can change quickly so will be monitored regularly and updates provided accordingly.

G5 – School Place Planning (reduced funding) - £240k 2021/22

The school organisation service is responsible for the planning and delivery of school places. In the short term this service has been supported from the creation of a specific reserve which is now depleted and Basic Need Funding has been decreased. This budget growth is to continue to deliver the school accommodation programme at the

same level and respond to the negotiation and delivery of S106 contributions as well as take on responsibility for planning for SEN places. A review is underway to establish whether any of these resources can be recharged to the capital programme.

G6 – Increased demand for Legal Costs - £400k 2021/22

The legal budget has been under pressure for a number of years and over the past year there has been a significant increase in the number of care proceedings lodged with the court (i.e. consistently averaging double figures every month compared to the year before which had monthly single figures) and this has resulted in a forecast £0.4m overspend in 2020/21. There are no indications that this level of demand will reduce any time soon hence there is a growth bid to address the ongoing budget shortfall.

This growth provides for an additional two cases per month as per the increase seen in 2020/21 with each care proceedings case costing on average £20k, taking into account the court issue fees, expert fees, cost of using Counsel, forensic testing (drugs/alcohol/paternity) and the cost of using agency solicitors.

There are other aggravating issues which are compounding the pressure on case costs:

- Costs of medical experts such as psychiatrists and paediatricians. There are now strict maximum amounts which can be claimed as legal aid in relation to the costs of these experts, which are significantly lower than the usual hourly rate actually being charged by medical experts. This means that on jointly instructed cases many experts will now refuse to take legal aid funded work on unless the local authority will meet the balance between their hourly rate and what legal aid will pay them resulting in the local authority paying a disproportionate amount of the overall bill. There is a limit to what the courts can do to regulate this and where an expert is considered necessary, the default position is that the local authority makes up any shortfall, as it is the applicant.
- Costs of independent social work assessments - there is an upward trend in the courts ordering these assessments.
- Costs of paying assessments under the pre-proceedings process. The court now expects the local authority to have undertaken all its assessments before lodging care proceedings, unless the case is very urgent. If the social work team considers that it needs an expert assessment undertaken within the pre-proceedings process and forensic testing, then this has to be paid for solely by the local authority.

Savings

18. Details of proposed savings for the local authority budget are set out in Appendix B and total £3.75m in 2021/22 and £16m 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 £25.8m are required over the period of the MTFS.
19. The following paragraphs provide the detail of each savings item;

CF1 Eff – Defining Children and Family Services for the Future Programme - £2.2m 2021/22 rising to £13.2m by 2024/25

Consultants Newton Europe in collaboration with CFS and other County Council colleagues have jointly undertaken a Diagnostic exercise to identify potential opportunities for improving outcomes for children and young people across Children's Social Care.

The outcome of this diagnostic is the identification of a number of opportunities across pathways, settings and the Disabled Children's Service to take forward in a programme of Transformation. These opportunities are about developing and future-proofing Children and Family Services so that the right interventions are delivered in the right way, at the right time, to ensure that children, young people and families achieve the best possible outcomes while also ensuring that the service is financially sustainable going forwards.

A Gateway review of the diagnostic was undertaken at the end of 2020 with reports to the Cabinet, Children and Families Overview and Scrutiny Committee and CMT. The programme has now commenced to the next design and implementation phases of this transformation programme.

The aim of this programme will be to develop CFS's operating model to align with the service strategy as well as the County Council's financial objectives; building on the improvement journey already commenced by the CFS department aligned to the latest Ofsted objectives.

A programme team comprising of Newton Europe, CFS Directorate and Service Managers (as well as other LCC enabler resources such as Transformation, Business Intelligence and Finance) has been created to implement the opportunities identified with a focus as much on culture change as re-design, crucial in any sustainable change programme.

The approach is fundamentally based on the following principles:

- It is about placing the best and most independent outcome for the service user at the heart of any changes to enable joint improvement of outcomes, staff ways of working and financial performance;
- It will be a bottom up/practitioner led-re-design and change programme where engagement, training and uptake of new ways of working are actively monitored;
- Mentoring and development of staff as well as improvements to Business Intelligence outputs will enable front-line managers.

The savings targets attached to these opportunities are at this stage headline estimates; identified through a thorough cross-combination of practitioner workshops as well as evaluation of activity, performance and financial information validated by business partners and at Gateway review. More detailed financial implications will be prepared as part of the next phase as the design, delivery plans and timing take shape. There is more potential for increasing the savings through "stretch" targets, but these will be evaluated as part of the design phase.

The savings have been amalgamated within the following headings and more details provided in the template below:

- **Pathways**
 - Prevention
 - Drift

- Demand led establishment model
- **Settings** – focuses on the placement and unit costs of those placements including Residential care, Fostering and Supported Lodgings for young people over 16
- **Disabled Children’s Service enablement** – focuses on developing an enablement focussed culture and practice to support earlier independence focussed transition planning for adulthood.

CF4 -Eff – Children’s Innovation Partnership - Assessment and Resource Team, Hub and Residential re-design - £50k in 2021/22 rising to £500k by 2024/25

These savings are attributable to the new models of care that have been co-designed within the Children’s Innovation Partnership with Barnardo’s, as outlined to the Cabinet in March 2020 when an investment budget of up to £2.5m was agreed.

The two main components that these savings are based on are to:

1. Create an **Assessment and Resource Team (ART) and Hub** to work with children and young people in both an outreach capacity and within assessment beds held in the hub. This ART comprises of a number of specialist roles to support up to 12 young people at a time with support including crisis intervention, comprehensive assessment and care planning, transitional support packages and family work to facilitate a return to home where possible. Land that the County Council already owns in Coalville has been identified as the location for the hub with an expected completion date for the hub build of Summer 2022.
2. Build **Multi-functional Residential Properties** to create more capacity that can be used flexibly to meet ever changing demands, for example to meet the current increasing need for parent and baby placements. So far, properties at Market Harborough, Glenfield and Hinckley have been identified as potentially meeting these needs and a thorough evaluation is being undertaken.

This programme is designed to improve the outcomes of children and young people in care in Leicestershire and enable the Department to ensure effective provision to the most vulnerable children and at an agreed cost. This will allow for children to be placed in the right placements first time and receive the most appropriate support tailored to their needs and improve placement stability as well as delivering efficiency savings.

The financial benefits are expected to materialise from reduced placement costs and reduced social worker resource through less placements being made out of county and reduced placement breakdown which often results in higher cost placements. Each property scheme will be evaluated on its own merits.

CF5 - Eff – Departmental Efficiency Savings - £1.5m in 2021/22 to £2.3m by 2024/25

These savings are to build on the work the department has undertaken in the current year to identify short term savings to mitigate some of the in-year increased social care staff and placement costs and to incorporate the additional corporate spend controls implemented across the authority.

The savings will be focused on those service areas that are not in the direct scope of the Defining Children and Family Services for the Future programme. These savings are expected to be efficiencies rather than service reductions or income generation.

Examples of savings include targets being set across the department to reduce printing, stationery, postage, IT equipment, training and travel expenses particularly in light of the remoter ways of working that have been a feature of the last year; and a review of Payment Card usage and levels. All vacant posts are being continuously reviewed and held or appointed to depending on their need.

The next steps are to identify which of the short-term savings implemented in the current financial year can be made permanent and also to identify new savings. The Transformation Unit have a Cost Reduction tool and methodology available to deploy with Service Managers, working with Finance and Business Support colleagues to undertake forensic analysis and identify and implement ongoing opportunities.

Savings Under Development

20. All potentially identified savings are encompassed in the main programmes outlined in the savings section above. These programmes are extensive and cover all of the department to achieve £16m of savings within four years and will therefore consume a significant amount of internal and programme and other enabler resources to achieve. That isn't to say that the department won't continue to seek additional opportunities where they arise. For example, once the first tranche of residential properties under the Children's Innovation Partnership is up and running, there may be a case to invest in more internally owned provision depending on the market place and demands.
21. Service Redesign for SEND Services also continues to be supported by the Transformation Unit. This will not deliver any additional budgetary savings but will contribute to the recovery of the High Needs Deficit which is currently projected as £5.6m for 2021/22.

Dedicated Schools Grant

22. For 2021/22 the Dedicated Schools Grant (DSG) remains calculated in four separate blocks as set out below;

Funding Block	Areas Funded	Basis for Settlement
Schools Block Est £455.2m consisting of; <ul style="list-style-type: none"> • School formula funding £452.8m • School Growth £2.4m 	Individual budgets for maintained schools and academies. 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.	2021/22 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; <ul style="list-style-type: none"> • the aggregate of pupil led characteristics for each individual school; • an allocation for school led factors.

	<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>For 2021/22 the funding block now includes a transfer of funding for teacher pay and pension grants for maintained schools formerly funded through specific grant.</p>	<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 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 9.7% as a result of increased pupil numbers, pay and pension grant transfer and national 2021/22 minimum funding guarantees. Growth funding is estimated to remain at previous levels.</p>
<p>Central School Services Block £3.6m</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 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</p>

	<p>For 2021/22 this funding block now includes a transfer of funding for teacher pay and pension grants for centrally employed teachers formerly funded through specific grant</p>	<p>medium term as this funding is phased out but commitments retained.</p>
<p>High Needs Block</p> <p>Est £83.1m</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 this includes funding for special academies and post 16 providers which is recouped by the ESFA who then directly fund academies.</p> <p>For 2021/22 this element of grant now includes a transfer of funding for teacher pay and pension grants for special schools formerly funded through specific grant.</p> <p>Confirmation of the 2021/22 grant is not expected until March 2021.</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 ensure that local authorities do not receive a funding reduction as a result of the introduction of the formula. Leicestershire receives £1.5m through this element.</p> <p>The grant allocation includes the additional funding announced by the DfE in September 2019 and is an increase of 8% per head of population from the 2021/22 baseline.</p>
<p>Early Years Est</p> <p>£36.4m</p>	<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 allocation is based on individual pupil characteristics and converted to a rate per hour of participation. Leicestershire receives the lowest rate of £4.44 per hour for 3 and 4 year olds and the lowest rate of £5.36 per hour for disadvantaged 2 year olds.</p> <p>This position is an increase of funding of £0.08 per hour</p>

	The initial settlement is based on the October 2020 census. The grant will be updated in July 2021 for the January census and again in June 2022 for the January 2022 census. The final grant will not be confirmed until June 2022.	for 2 year old funding and £0.06 for 3 and 4 year old funding, +1.0% for 3 & 4 year old funding and +1.5% for 2 year old funding from the 2020/21 baseline.
£578.3m	2021/22 Estimated DSG	

23. The 2021/22 MTFS continues to set the overall Schools Budget as a net nil budget at local authority level. However, in 2021/22 there is a funding gap of £5.6m on the High Needs Block which will be carried forward as an overspend against the grant.

Schools Block

24. 2021/22 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.
25. School funding remains a 'soft' school funding formula for 2021/22. 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) has confirmed its 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. A consultation is expected from the DfE in early 2021 on the next stage of transition to the NFF.
26. 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. The allocation for 2020/21 was £3.3m and 2021/22 funding will reduce to £2.4m. 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

27. Nationally schools will receive a minimum per pupil increase in funding of 2% per pupil with no capping on increases. Minimum per pupil funding levels of £4,180 for primary, £5,215 per KS3 pupil and £5,715 per KS4 pupil are mandatory. These values include a transfer of funding into the NFF for funding for teachers' pay and pensions that was previously funded through specific grant. Despite the overall increase in budget, at individual schools there are 91 (40%) primary and 4 (9%) secondary schools funded at the funding floor. This is an increase from the 2019/20 position of 70 (32%) of primary schools and 1 (2%) of secondary schools. These schools, despite additional funding, will experience a real terms decrease in income and can be expected to fair least favourably from the implementation of a hard NFF without minimum funding increases. As the funding guarantee is at pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.
28. The 2021/22 Schools Block provisional DSG settlement is £455.2m, which is based upon the 2019 October school census. This includes a transfer of funding of £20.2m for the Teachers' Pay and Pensions Grant previously paid directly to schools but from 2021 will be included in the NFF. Within this block is also an allocation of £2.4m of growth funding allocated to meet the revenue costs of new and expanding schools.
29. The NFF for schools is based upon the 2020 School Census but funding for local authorities is based upon the pupil characteristics recorded on the 2019 school census. Nationally there is concern that the number of pupils recorded in receipt of Free School Meals and pupils that trigger deprivation funding may have increased as a result of the Coronavirus Pandemic. Any increase would be unfunded and could result in the cost of fully delivering the NFF being unable to be met from the Schools Bock DSG. This position will be reviewed once individual school data from the 2020 Census has been analysed. The national regulations allow for an adjustment within the formula to ensure the budgets for schools can be met from the DSG allocation. Local authorities are required to submit their funding formula to the ESFA in mid January.

High Needs

30. 2021/22 is the second year of a three-year settlement for school funding and nationally high needs funding has increased by £730m (10%). Local authorities have a guaranteed minimum increase of 8% per head of population and are capped at a 12% increase. Leicestershire remains on the funding floor and receives an increase of 8%. The settlement includes £1.5m of protection funding which is not guaranteed in the long term.
31. The provisional High Needs DSG is £83.1m and includes a transfer of funding in respect of former teacher pay and pension grants for special schools which will be paid directly to them for 2021/22. The settlement will be updated in June 2021 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.
32. The High Needs Development Plan remains 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, local authority 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 provision.

33. The forecast position on the High Needs element of the DSG is shown below:

	2021/22 £,000	2022/23 £,000	2023/24 £,000	2024/25 £,000
High Needs Funding	-81,964	-81,964	-81,964	-81,964
Placement Costs	87,096	94,345	98,987	103,545
Other HNB Cost	8,708	8,708	8,708	8,708
Commissioning Cost - New Places	1,908	1,416	667	44
Project Costs	1,059	0	0	0
Total Expenditure	98,771	104,469	108,362	112,297
Funding Gap Pre Savings	16,807	22,505	26,398	30,333
Funding Changes	0	-6,544	-4,544	-4,544
Demand Savings	-4,447	-5,076	-5,577	-5,577
Benefit of Local Provision and Practice Improvements	-6,710	-11,017	-14,187	-15,695
Total Savings	-11,157	-22,637	-24,308	-25,816
Annual Revenue Funding Gap	5,650	-132	2,089	4,517
2019/20 Deficit Brought Forward	7,062			
2020/21 High Needs Deficit Brought Forward	10,011			
Cumulative Funding Gap	22,723	22,591	24,680	29,197

34. National research sets out systematic problems with the SEND system that are responsible for high needs deficits. The research shows that deficits are growing within almost all local authorities in a deficit position or close to that position. Amongst a number of findings research commissioned by the Local Government Association reported that there are structural features of the SEND system which would lead to deficits even if budgets were significantly increased and that local authorities bear all the risk in this area but have no levers with which to influence demand and cost. The DfE have undertaken a review of the SEND system but it is unclear when any findings from that research will be published.
35. The funding position above includes a transfer from the Schools Block DSG to High Needs in 2022/23 of £2m. Schools will be engaged in developing proposals for the transfer early in 2021 before entering into consultation and seeking approval from the Schools Forum. Should Schools Forum not approve a transfer then permission may be sought from the Secretary of State. If approval cannot be secured the financial position for 2022/23 will worsen by £2m in 2022/23 only.

36. Local authorities are now required to carry forward DSG deficits to the following year and may only now contribute to DSG with the approval of the Secretary of State. Whilst this is the approach the DfE have encapsulated in legislation, it is not a sustainable or reasonable approach. Without the DfE addressing this through additional funding, local authorities will be required to set aside resources to offset the deficit.

Central Services Block

37. The central services block funds 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 and the settlement is £3.6m for 2021/22 and includes funding transferred in respect of the former teacher pay and pensions grant for teachers employed centrally across the County Council.
38. The settlement reduces the funding for historic commitments. This is being reduced by 20% but a guarantee is in place to ensure that funding doesn't decrease below the financial commitment to meet former teacher employment costs. This has resulted in a loss of £147k, but this has been offset by an increase in formula funding of £178k.

Early Years Block

39. 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 £0.08 per hour (1.5%) for 2 year olds and £0.06 per hour (1%) for 3 and 4 year olds. Leicestershire continues to receive the lowest rate per hour at £5.36 per hour for 2 year olds and £4.44 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

40. Grants are largely received from the DfE with details of all specific grants for the department for 2021/22 detailed below;
- Dedicated Schools Grant (DSG) £578.3m. The purpose of this grant is detailed in other sections of this report.
 - Maintained School sixth forms (£0.4m 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 (£5.2m est). Passported to schools to raise the attainment of disadvantaged pupils. This figure excludes academy allocations which are paid directly by the ESFA. The funding rates in 2021/22 will remain the same as 2020/21.

- Universal Infant Free School Meals (£2.7m 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 which are paid directly by the ESFA. The grant has not been confirmed and is assumed to be at the same level as 2020/21.
- PE and Sports Grant (£1.5m 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 2020/21.
- 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 2020/21.
- 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 2020/21.
- 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 2020/21.
- Personal Advisors to Care Leavers (£0.04m 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 grant has not been confirmed and has been assumed to be at the same level as 2020/21.
- Youth Justice Good Practice (£0.5m est). 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 2020/21.
- Troubled Families Programme (£1m est). 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 Government's targets and the third to fund service development. The grant amount has not been confirmed but a commitment was provided in the 2020 Spending Review so is assumed at the same level as 2020/21. Future years'

funding may be at risk and if not renewed a restructure and scaling back of the service or redistribution of funds from other services will need to be considered.

- School Improvement Grant (£0.3m est). This was a new grant from September 2017 for local authorities to co-ordinate school improvement activity in schools.
- Early Years Disability Access Grant (£0.1m est). Supports access for children with disabilities to attend nursery providers
- Early Years Pupil Premium (£0.2m est). Supports deprived children accessing the free entitlement to early education.
- Teachers Pay and Pension Grants. These were separate grants in 2020/21, and are now incorporated in the Dedicated Schools Grant in 2021/22
- Covid-19 Catch Up Premium (£0.7m est). This grant became available in 2020/21 to support schools to help pupils make up for lost teaching time. The grant will continue in the Summer Term 2021. This grant is passported directly to maintained schools with academies receiving funding directly from the ESFA.

Expected Reforms

41. In February 2020, the Education Secretary, Gavin Williamson promised a “fundamental look across children’s social care”. However, due to the Covid-19 crisis the review was delayed.
42. In November 2020 the Children’s Minister, Vicky Ford, announced that the review would be recommencing. Ms Ford also referred to the government’s review of special education needs and disabilities (SEND), initially launched in September 2019, stating that it is progressing well and is considering measures to make the system “more robust and high quality” and “getting in early to really help those children”. The review is expected to assess how this system has evolved since the introduction of education, health and care plans back in 2014 and look at links with health care provision with talk about aligning incentives and accountability for schools, colleges and local authorities to make sure they provide the best support for children and young people with SEND. The outcome of this review is expected later in 2021.

Capital Programme

43. The proposed Children and Family Services capital programme totals £84.4m, for which the majority (£82.9m) there is external funding expected, resulting in only £1.5m call on LCC capital funding over the four year life of the proposed MTFs. The programme continues to focus upon the delivery of additional primary and secondary school places and additional places to be delivered to support the High Needs Development Plan. £58m is proposed to be invested in the provision of additional placements; £14m for SEN and £12m for other schemes as per the summary table below and further details in Appendix C:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Additional School Places	29,543	9,478	5,300	14,000	58,321
SEND Programme	5,000	1,000	8,000	0	14,000
Other Capital	3,959	2,891	2,750	2,500	12,100
Total	38,502	13,369	16,050	16,500	84,421

Provision of Additional School Places – the programme is funded through the Basic Need grant from the DfE and S106 developer contributions. For the latter it is assumed that the receipt will fully fund the scheme. The latter two years of the programme make provision for new schools fully funded by S106 funding at Hinckley, Thorpebury and Market Harborough. These schools are included in their expected year of development however this is dependent on the speed of the related housing developments.

Additionally, schools built by developers under S106 requirements are expected in the period of the MTFs at Castle Donnington and South East Coalville. As there is no actual monetary impact on the programme these have not been included in the above figures.

Significant future housing development in the Melton area will lead to an increased requirement for school places. However, the expected timeline is such that the investment is presently assumed to be beyond the timescale of this MTFs. There is currently spare capacity in the Melton catchment area to address any initial requirement for places.

It is envisaged that over the four years of the MTFs an additional 3,800 mainstream school places and an additional 200 places for children and young people with SEND will be created.

SEND Programme – the programme contains funding for completion of the developments to support the High Needs Development plan and the completion of the Department for Education (DfE) funded school for pupils with Social, Emotional and Mental Health Needs (SEMH) at Shepshed. The development of this school requires complex restructuring of the Iveshead campus in Shepshed which will meet a number of needs (Iveshead school being housed in one building, the expansion of primary provision, the development of the special school, the establishment of a special needs unit and the co-location of the Oakfield Pupil Referral Unit). The DfE has advised the local authority that it must cover ‘abnormal costs’ incurred in the construction of the new SEMH school, such as the demolition of the existing building and levelling of the land. These abnormal costs have been included in the MTFs at an estimate of £1.5m.

Residential Design Brief- a capital investment budget envelope of £2.5m was agreed by the Cabinet in March 2020 to develop an assessment hub and flexible multi-functional properties to create in-house capacity to provide a better suitability of placements and at lower cost. Properties have been identified to date in Market Harborough, Glenfield and Hinckley providing a capacity for up to 12 placements and each property scheme is currently being evaluated for the service, property and financial implications.

44. The majority of the capital programme is likely to be funded by external grant and developer S106 contributions as follows :

Capital Resources	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Grants	24,648	8,000	11,500	3,500	47,648
External contributions / S106	8,373	3,678	3,780	13,720	29,551
Earmarked capital receipts	5,472	0	250	0	5,722
Total Available Funds	38,493	11,678	15,530	17,220	82,921
LCC Capital Funding Requirement	10	1,690	520	(720)	1,500
Total CFS Capital Programme Funding	38,503	13,368	16,050	16,500	84,421

Basic Need Grant - is received from the DfE based upon the need to create additional school places. Grant of £22.1m for the year 2021/22 has been confirmed but estimates of £7.5m have been included for the final three years of the programme. 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. This grant is based on a formula that considers pupil numbers and the overall condition of the school estate. The grant reduces as schools convert to academies. £1.8bn was confirmed in the November 2020 Spending Review but individual local authority allocations are yet to be confirmed. An assumption of £2m per annum has been included in the MTFS.

S106 Contributions – it is estimated that a total of £29.6m of S106 contributions will be received to fund the proposed programme, £8.4m in 2021/22. Estimates for the latter two years of the MTFS are less certain 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 was expected to finish in 2020/21. Nothing has been included in the MTFS from and including 2021/22 however the November 2020 Spending did commit to further national capital expenditure totalling £300m for new school places for children with SEND, but no details have been released yet.

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 Shepshed. The DfE has approved the bid and negotiations are on-going with the on the scope and funding arrangements for the build.

Background Papers

Report to Cabinet 15 December 2020 – Medium Term Financial Strategy 2021/22 to 2024/25
<http://cexmodgov1/ieListDocuments.aspx?CId=135&MId=6000&Ver=4>

Report to Cabinet 7 February 2020 – Medium Term Financial Strategy 2020/21 to 2023/24
<http://cexmodgov1/documents/g5992/Public%20reports%20pack%20Friday%2007-Feb-2020%2011.00%20Cabinet.pdf?T=10>

Report to Cabinet – 24 March 2020 – Children’s Social Care Investment Plan
[Agenda for Cabinet on Tuesday, 24 March 2020, 2.00 pm - Leicestershire County Council](#)

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None.

Officers to Contact

Jane Moore, Director of Children and Family Services
 Tel: 0116 305 7441
 E-mail: Jane.Moore@Leics.gov.uk

Chris Tambini, Director of Corporate Resources
 Tel: 0116 305 6199
 E-mail: chris.tambini@leics.gov.uk

Sara Bricknell, CFS Finance Business Partner
 Tel : 0116 30 57869
 E-mail : sara.bricknell@leics.gov.uk

Jenny Lawrence, Finance Business Partner (HN / SEN)
 Tel: 0116 305 6401
 E-mail: jenny.lawrence@leics.gov.uk

Appendices

Appendix A – Revenue Budget 2021/22
 Appendix B – Growth and Savings 2021/22 to 2024/25
 Appendix C – Capital Programme 2021/22 – 2024/25

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.

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