

**SCHOOLS FORUM**

**22 FEBRUARY 2016**

**2016/17 SCHOOLS BUDGET**

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	X
Academies	X	Foundation Stage	X
PVI Settings	X	Primary	X
Special Schools / Academies	X	Secondary	X
Local Authority	X	Post 16	X
		High Needs	X

Content Requires;		By;	
Noting	X	Maintained Primary School Members	
Decision	X	Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X
<b>Actions arising from the recommendations in this report are for all Schools Forum Members</b>			

**Purpose of the Report**

1. The purpose of this report is to present the 2016/17 Dedicated Schools Grant Settlement for Leicestershire and the 2016/17 Schools Budget.
2. This report builds upon a number of reports presented through the 2015/16 financial year and specifically those relating to school funding reform and for arrangements for funding schools undertaking or affected by age range changes.

## **Recommendations**

3. That Schools Forum approve the retention of budgets to meet the prescribed statutory duties of the local authority (Paragraph 20, item 3)
4. That Schools Forum approve the centrally retained early years funding of £1.649m (Paragraph 20, Item 4)
5. That Schools Forum note the 2016/17 school funding rates (Paragraph 30)
6. That Schools Forum notes the number and average cost of commissioned places for children and young people with High Needs (Paragraph 49)
7. That Schools Forum approve the action to be taken in respect of schools where the Special Educational Needs (SEN) notional budget is insufficient to meet the aggregated value of High Needs Funding Element 2 (Paragraph 50)
8. That Schools Forum note the average per pupil funding to be taken into account for recoupment for excluded pupils (Paragraph 51)
9. That Schools Forum note the payment rates for the Early Years Single Funding formula (Paragraph 62)
10. That Schools Forum note the retention of the Dedicated Schools Grant Reserve and the purposes for which it will be used (Paragraph 64)

## **Background**

11. This report builds upon those presented to Schools Forum during 2015 and sets out the local authority's Schools Budget for 2016/17.
12. The Schools Budget is the term given overall to the services funded from Dedicated Schools Grant (DSG). Local authorities are required to set the Schools Budget at least equal to the amount of DSG received. The local authority makes no contribution to DSG, the Schools budget is therefore set at the level of grant and must contain all its spending pressures within that grant.
13. DSG is provided in three separate funding blocks;
  - Schools Block – funds school delegated budgets and other prescribed local authority areas of expenditure
  - Early Years – funds the fee entitlement to early education for disadvantaged 2 year olds and 3 & 4 year olds and the services that support the early years sector
  - High Needs – funds provision for pupils with SEN, the PRU and other services for vulnerable children such as the behaviour partnerships and specialist teaching services
14. It is expected that the next phase of transition to a 'fair funding formula' for both the local authority and schools will commence in 2017, the budget presented within this report effectively holds the financial position for 2015/16.

15. There are significant financial challenges over the medium term for both the local authority and its schools. The government's austerity measures have not affected school funding to the same extent as for local government in general, however neither have they kept pace with spending pressures. This requires very challenging decisions to be made on the allocation of funding.
16. The significant issue for the 2016/17 Schools Budget is the increased expenditure within the High Needs Block, largely SEN placements. It has been possible to divert some headroom in the Schools Block settlement and as discussed at meetings of the Schools Forum on 21 September 2015 and on 14 January 2016 through a 1% reduction in the Age Weighted Pupil Unit (AWPU) to partially close the funding gap. In addition to this funding movement a savings target of £2.8m has been included in the SEN budget.
17. To meet the growing demand on Specialist Teaching Services (STS) and that budgets for teaching and learning are delegated to schools, it is necessary to charge for some services provided by the Autism Outreach Service and further charges for STS will be necessary.
18. The 2016/16 Children and Family Services Budget was considered by the Children and Family Services Overview and Scrutiny Committee on 18 January 2016 and approved by the County Council on 17 February 2017 and is shown as Appendix 1.

### **Role of the Schools Forum in setting the 2016/17 Schools Budget**

19. Schools Block DSG meets the cost of school delegated budgets and also some other areas of expenditure centrally retained by the local authority through provisions contained within the School and Early Years Finance (England) Regulations, these budget are subject to restrictions and some are subject to some decisions for the Schools Forum.
20. The purpose and scope of these budgets is detailed below;

<b><u>Item</u></b>	<b><u>Approval For</u></b>	<b><u>Action</u></b>
1.	De-delegation from mainstream school budgets	No decision to be taken, no budgets are subject to de-delegation.  De-delegation affects maintained primary and secondary schools only, all budgets for academies are required to be fully delegated.
2.	To create a fund for significant pupil number growth in order to support the local authority's duty for place planning and agree the criteria for maintained schools and academies to access this fund.	Schools Forum approved the policy for funding school growth at its meeting on 14 January  The Fossebrooke school in Braunstone will open in September 2016 and it has been necessary to

		make provision for pupil-led and start-up funding. This has been funded directly by the DSG reserve.
3.	Funding for the local authority in order to meet prescribed statutory duties placed upon it. Approval is required to confirm the amounts for each duty and no new commitments or increases in expenditure from 2015/16 are permitted.	<p>The budgets falling into this category are;</p> <ul style="list-style-type: none"> <li>• Servicing the Schools Forum £8,750 (2015/16 £8,750), this budget meets the cost of operating the Schools Forum</li> <li>• Premature Retirement Costs £674,900 (2015/16 £674,890), these are historic costs relating to school staff where the commitment remains with the local authority and relates to both maintained schools and academies</li> <li>• Admissions £318,020 (2015/16 £318,020). This meets the local authorities statutory responsibilities for admissions and is funded from both the Schools Block funded from the Schools Block (£280,020 and £38,000 from the High Needs Block.</li> <li>• Miscellaneous £248,000 (2015/16 £248,000). This is the commissioning budget for maintained schools causing concern, whilst the number of maintained schools has reduced overall the number of schools requiring LA support is largely unchanged</li> </ul> <p>Schools Forum are asked to approve the retention of these budgets which have not increased over the 2015/16 budget provision</p>
4.	Funding for central early years expenditure, which includes funding for checking eligibility of pupils for an early years place and/or free school meals in addition to the local authorities statutory responsibilities in this	Schools Forum are asked to approve expenditure of £1.649m (2015-16 £1.644m )

	area.	
6.	Authorising a reduction in the Schools Budget in order to fund a deficit arising in central expenditure that is to be carried forward from a previous funding period	This situation does not exist within the 2015-16 budget so no decision is necessary

21. Where the decision making power is vested in the Schools Forum, the local authority may seek adjudication from the Secretary of State should approval not be granted. This would be sought should Schools Forum not approve the centrally funded items, there is no other source of funding for the local authority to meet these commitments.
22. A further budget for school copyright is held centrally under provisions within the School and Early Years Finance (England) Regulations. This funds copyright licences that a subject to a nationally negotiated contract by the Secretary of State for all academies and maintained schools, as a result of this national contract individual schools no longer meet these costs directly. The 2016/17 cost for Leicestershire has not been confirmed but no change is expected and the budget is unchanged at £533,339.

### **Dedicated Schools Grant**

23. The Dedicated Schools Grant (DSG) settlement remains in three separate blocks for 2016/17 and funding rates are unchanged from 2015/16. The DSG allocations for early education to 3 and 4 year olds will not be confirmed until January 2017 and the allocation for the most deprived 2 year olds will not be confirmed until June 2017. Both of these have been estimated for the purpose of the 2016/17 budget. Overall the Schools Budget remains set at the level of the grant received. A summary of the grant elements is detailed below:

<b>Funding Block</b>	<b>Areas Funded</b>	<b>Basis for Settlement</b>
Schools Block £369.1m  The 2016/17 Schools Budget is set at £360.5m	This block funds delegated budgets for all Leicestershire primary and secondary schools and academies and also the three studio schools in Leicestershire.  Some budgets e.g. school copyright licences, school related premature retirement costs are centrally retained by the local authority with the approval of the Schools	The Schools Block Unit of Funding (SBUF) is £4,238.28 and based upon the pupil characteristics recorded in the October 2015 schools census. The figure is an increase of £8.99 per pupil as a result of the change in funding arrangements for Studio Schools  Leicestershire is the 10 <sup>th</sup> lowest funded for this element of the settlement

	<p>Forum.</p> <p>Funding for academies is recouped from the settlement and paid directly to the academy by the EFA.</p> <p>The funding rate is slightly increased as a result of a technical adjustment relating to the incorporation of Studio Schools into the settlement.</p>	<p>out of 151 authorities (11<sup>th</sup> lowest 2015/16) and compares to an England average of £4,744.08</p> <p>The funding settlement maintains the additional 'Fair Funding' allocations granted for 2015/16</p>
<p>High Needs Block £53.95m</p> <p>(£45.5m after recoupment)</p> <p>The 2016/17 budget is set at £59.5m</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>The settlement remains based upon expenditure for 2012/13, adjusted for changes in the number of high needs places commissioned with an element of national growth in funding.</p> <p>As the settlement is not based upon pupil / student numbers there is no national comparator against which to measure relative funding. However converting the settlement to a per pupil basis using pupil data in the other elements of the DSG settlement places Leicestershire 17<sup>th</sup> lowest funded at £487.47 against an England average of £677.61</p>
<p>Early Years £18.8m ( 3 &amp; 4 year olds)</p> <p>2 year old disadvantaged places £3.3m (est)</p> <p>Total £22.1m</p> <p>The budget is provisionally set at £23.4m and</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>This allocation includes a provisional allocation of £0.3m for the early years pupil premium which will be adjusted in future years for actual take up.</p>	<p>The settlement is based upon January 2015 pupil numbers and will be adjusted for January 2016 and 2017 pupil data</p> <p>The FEEE for 3 and 4 year olds funding rate of £3,363.36 of is unchanged from 2015/16 and Leicestershire remains 10<sup>th</sup> lowest funded against an England average of £4,314.28</p>

reflects estimated pupil numbers and grant	<p>Budgets and grant estimates are updated throughout the financial year based upon the termly headcount data.</p> <p>A transfer of funding is received from the Schools Block in respect of the increased rate for 2015/16 in line with the additional funding</p>	This settlement now includes funding for FEEE for 2 year olds. Whilst the settlement for this element of DSG will not be confirmed in June 2016 the rate of funding has been confirmed at £4,607.50 per place, Leicestershire is one of 52 authorities funded at the lowest rate.
<b>£436.7m</b>	<b>2016/17 Estimated DSG (Early Years estimates)</b>	

24. The DfE have announced that they intend to review the basis for DSG funding for 2017/18 onwards. This review is expected to be widespread and consider each of the DSG blocks, the stated aims of the review are:
- Schools Block – to move towards a national funding formula where each pupil with the same pupil characteristics will be funded at the same rate irrespective of the local authority in which they are educated.
  - High Needs Block – to move to a formulaic allocation of funding reflecting need rather than the current historic funding basis.
  - Early Years – to move to a national early year’s single funding formula.
25. A consultation on the 2017/18 proposals is expected early in 2016. It is expected that this will consider both the allocation of funding to the local authority and the basis of allocation to both schools and early years providers. A further consultation is expected on the Education Services Grant (ESG) which it is anticipated will consider the statutory duties of the local authority for all maintained schools and academies.
26. Local authorities have a statutory responsibility to maintain a funding formula for all maintained schools and academies in its area. The Government’s Autumn Statement included the intention to remove local authorities role in running schools and the removal of a number of statutory duties, it is unclear whether this will include the removal of this statutory duty and the cessation of local authorities role in the allocation of schools funding.
27. There are a number of financial and other pressures within schools and the services that DSG funds:

- School Funding – School funding increased for some as a result of the 2015/16 'Fairer Funding' settlement but otherwise has been maintained within cash flat settlements since 2010. Many schools and academies are now reporting that they are finding it difficult to set balanced budgets, especially those academies with falling rolls as a result of age range changes. These financial pressures are compounded as it has been necessary to reduce school funding to meet the pressure in the High Needs block in 2016/17 to reflect the shared responsibility with the local authority to reduce SEN spending.
- High Needs – this element of the grant has not increased in line with the increased volume of pupils being supported and is largely based on the level of expenditure from 2013. The demand for education services supporting the needs of vulnerable children and an overall increase for placements for young people with Special Educational Needs (SEN) is resulting in an overspend in 2015/16 and is expected to continue into 2016/17. The overspend for 2015/16 has been funded from the DSG reserve but this is an unsustainable position. and it has been necessary to reduce the Age Weighted Pupil Unit (AWPU) by 1% in order to close the funding gap leaving a cost reduction of £2.8m to be met during 2016/17 to be delivered against SEN placements.
- There is a considerable challenge in meeting the needs of pupils with high needs from within the grant funding available. The provision of support to meet the needs of children with an Education, Health and Care Plan, and those with a SEN support plan, is a statutory responsibility of the local authority although funding is delivered through DSG.
- National Living Wage – this will have a significant impact on DSG funded services and will include school delegated budgets, special educational needs placements and the free entitlement to early education. The additional costs will need to be met from the grant which will affect the financial position of both maintained schools and academies and the level of services that will be able to be centrally funded. It will also increase the financial difficulties being experienced in some schools and academies.
- Funding School Growth – current planning information across Leicestershire's District Councils, including the new Braunstone/Leicester Forest East Primary school, suggests a total of 18 new schools – 16 primary and 2 secondary providing 7,620 additional places- will be built and require start-up funding to 2024. DSG is funded on a single, lagged pupil count, opening new schools requires local authorities to meet two terms of costs with no corresponding increase in grant.



## **School Budgets**

28. The framework for local authorities to calculate individual school budget is unchanged for 2016/17, albeit there are some national changes to the data within the national dataset issued by the EFA on which school budgets must be based. There has been no review on changes to the school funding formula for 2016/17 and it remains unchanged from 2015/16, it has however been necessary to reduce the Age Weighted Pupil Unit (AWPU) rate by 1% in order to meet growing SEN costs.
29. At the request of Schools Forum the local authority reconsidered the 1% AWPU reduction, this was completed alongside the SEN placement data which is the major factor the reduction. However taking all factors into consideration the funding gap in the SEN budgets is too significant and can only be closed by this action, whilst it is appropriate to require service savings it would be wholly inappropriate to offset the AWPU reduction with an increased savings target..
30. The 2016/17 school funding formula is shown at Appendix 2
31. Local authorities are required to use data provided by the EFA to construct school budgets and are largely unable to use local data. The dataset was issued in December 2015 and includes a national update to the Income Deprivation Affecting Children Indices (IDACI) from 2010 to 2013 data, this data is used within the Leicestershire formula to allocate deprivation funding. The updated data results in significant changes in budgets which if unmoderated would reduce delegated funding by £1m, reductions are moderated by the Minimum Funding Guarantee (MFG). As discussed previously the direction of the governments school funding reform is towards a pupil responsive formula, this issue illustrates the difficulty there will be in such a system in balancing the financial impact of changing pupil characteristics with the further objectives of stability and predictability.
32. The EFA has confirmed that the 2016/17 school funding formula 'appears to be' compliant with the school funding regulations. The local authority is required to make school budgets available to individual maintained schools by 29 February, the EFA issues budgets to academies in line with the agreed funding formula.
33. The MFG remains nationally set at minus 1.5% per pupil. As MFG is a per-pupil reduction schools with falling rolls may see their budgets reduce by more than 1.5% overall. Additionally some items funded within the formula i.e. lump sum and rates are not included within the MFG calculation.
34. To moderate the impact of 2013/14 school funding reform a capping factor was introduced to limit the amount of gains as a result of the changes and ensure the reform could be delivered without additional resource. The ceiling is set to meet the cost of the MFG and is set locally at +1.5% in line with MFG.

35. The formula continues to include pupil number adjustments for schools undertaking age range changes or affected by age range changes in other schools. The adjustments were issued to schools in December for comment resulting in some schools raising concerns, the schools finance team has met with a number of affected schools to ensure accuracy of data and the financial impact of the change. It should be noted that the expectation of the EFA remains that local authorities should vary pupil numbers where '*.. a school has changed, or is going to change either by adding or losing year groups*' and that '*If pupil numbers are not adjusted to reflect actual intake, we reserve the right to adjust amounts recouped to enable us [EFA] to properly fund academies and free schools affected by this.*'<sup>1</sup>
36. The methodology remains unchanged for funding schools undertaking or affected by age range changes and the pupil number count continues to include an adjustment for estimated changes in roll for September 2016. The mechanism allows for pupil numbers to be aligned with actuals in the following year, however for 2017/18 this will be dependent upon being compliant with national funding reform and the funding regulations laid by the DfE.
37. The admissions data upon which the pupil number adjustment is made suggests demographic growth in some schools affected by age range changes in 2016 but it is difficult to isolate this from the impact of age range changes. As there is no mechanism within the current national funding arrangements to fund schools from general demographic growth and / or school decisions on admission numbers it is inequitable that schools subject to age range changes are, the current process will need to be reviewed to inform 2017/18 school budgets.
38. The pupil number variation continues to be a contentious issue with a number of schools. The scheme is however unchanged from that implemented in 2015/16 and continues to protect schools with falling rolls as a result in age range change in other schools at 80% of the loss of pupil numbers for the first year of change. Academies retaining year groups receive additional funding in the year of the change which would not be possible if no mechanism exists.
39. Schools unaffected by age range change remain on the national pupil number count and are funded on pupil numbers from the October 2015 school census as required by the school finance regulations.
40. Local authorities are required to fund start-up costs for new schools and for diseconomies of scale there may be until they have a full contingent of year groups. The new Fossebrook school will open for a September 2016 intake. The lagged school funding system means that these costs must be met within the current level of DSG and for 2016/17 have been funded from the DSG reserve. A further short term reduction in school delegated funding will be needed from 2018/19 onwards if no headroom is available in the DSG

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<sup>1</sup> Schools revenue funding 2016/17 Operational guide – Education Funding Agency December 2015  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/486747/Schools\\_revenue\\_funding\\_2016\\_to\\_2017\\_operational\\_guide\\_updated\\_December\\_2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/486747/Schools_revenue_funding_2016_to_2017_operational_guide_updated_December_2015.pdf)

settlement and / or the ability to create a reserve is restricted. The data will continue to be updated for the most recent planning information and financial position and reviewed to inform 2017/18 budgets.

41. No inflation is added to the individual school budget for supplies and services, pay awards nor for changes in national insurance and employers pension rates.

### **High Needs Funding Issues**

42. National changes in funding policy continue to impact upon the budget requirement. Whilst policy in relation to school and early years funding have remained relatively stable over recent years the high needs funding system continues to see change annually. In September 2015 local authorities become the funding body for element 2 funding for all places in FE institutions in their locality. There has been an increased need for places at Brooksby College, however the need for places is partly as a result of an increase in students from other local authorities. With lagged funding and no ability for additional funding to meet the additional numbers, these costs must be met within the High Needs Block.
43. Prior to the introduction of the current school funding system in 2013 Leicestershire has largely delegated funding system for SEN. As a result of the changes introduced by the £6,000 high needs threshold it was necessary to move funding from the schools to the high needs block in order to meet the costs of top-up funding, this transfer has remained.
44. The transfer to maintain high needs funding levels for 2015/16 was £2.8m, this has increased to £10.4m for 2016/17 leaving a funding gap of £7.6m. Part of the increase relates to an increase in top up funding in mainstream schools, since 2013/14 the overall population of pupils in schools requiring top up funding has seen a marginal decrease of 1%, however the increase in cost over the same period is 32%.
45. The funding gap has been partially closed by £4.3m from an increased transfer from the schools block consisting of the use of 'headroom' in the settlement of £1.8m and the 1% reduction in AWPU of £2.5m. This leaves a shortfall of £2.8m for which a savings target has been established and is aligned to the high needs overspend action plan.
46. Funding changes have been agreed with Leicestershire Special School Headteachers which will reduce their school funding and contribute to the recovery of the SEN overspend. This includes using the October 2015 as a baseline for 2016/17 funding, not funding any additional places for bands 4, 5 & 6 and reducing funding for additional places for band 7 and above.
47. The forecast increase in expenditure assumes an increase in placements from September 2016 and the 2016/17 budget only includes a part year effect from the increase. It is imperative to deliver reductions in volume and cost given that 2017/18 will be a full year impact which will further increase the financial commitment.

48. Local authorities are required to inform EFA of the number of high needs places it wishes to commission, this information is used for funding purposes. Once a place is commissioned it is required to be funded directly by the LA if in a maintained school and via the EFA if that place is in an academy or a FE provider with funding 'recouped' from the DSG settlement. Where the number of commissioned places increases the increase is funded, however the system is inflexible where the number of places decreases and the EFA have prohibited any movement where the decrease is less than five places or 10%, the result of this means that funding remains in place for places that the local authority no longer requires. The inequity of this process is an issue that has been raised locally, regionally and nationally with the EFA.
49. The number of commissioned high needs places together with the average unit cost is shown at Appendix 3. The variation in top-up funding for Leicestershire special schools, and enhanced resource bases arises from different cost bases taken into the new funding system and differences in the needs of the pupils they support.
50. The local authority will continue to assess schools where the notional SEN budget is insufficient to meet commitments to element 2 funding through a comparison of costs and notional SEN budget in October following pupil movements at the commencement of the academic year. Where the budget is shown to be insufficient to meet commitments an additional payment will be made.

### **Excluded Pupils**

51. The arrangements for reclaiming funding from schools excluding pupils no longer solely refer to the deduction being based upon the age weighted pupil unit. With the redefined school funding formula and the expectation, both now and in the future, for specific levels of pupil led funding it is now possible to calculate an average per pupil funding value for primary, Key Stage 3 and Key Stage 4. These values are detailed in the following table and will be applied as the deduction to school budgets from April 2016;

<b>School Phase</b>	<b>Annual Rate £</b>	<b>Daily Rate £</b>
Primary	3,045.56	16.03
Key Stage 3	4,042.57	21.28
Key Stage 4	4,823.56	25.39

## **Pupil Premium - Schools**

52. The DfE have not formally issued a full pupil premium settlement for 2016/17 although rates for each category of pupil have been released, these are unchanged from 2015/16. Pupil premium will be based on the January 2016 school census and schools will need to make reference to that in order to determine their grant allocation and inform the 2016/17 budget setting process.
53. The allocations are passported by the local authority to maintained schools for eligible pupils on the school roll but are retained by the local authority for children in care, academies receive funding directly from the EFA. The rates for pupil premium are ;

<b>Pupil Premium Payable for;</b>	<b>2016/17 £</b>
Primary Free School Meals Ever 6 (any pupil eligible for free school meals in the last 6 years)	1,320
Secondary Free School Meals Ever 6 (any pupil eligible for free school meals in the last 6 years)	935
Children from service families	300
Looked after children	1,900
Children adopted from care, left care under a special guardianship or residence order	1,900

## **Academies**

54. The government is currently consulting on changes to legislation on under performing schools through the Education and Adoption Bill. This will require schools defined as coasting to convert to academy status as a sponsored academy, additionally the stated government intention on removing the local authorities role in running schools will increase the number of maintained school academy conversions.
55. Although academies receive their funding directly from the EFA it replicates the formula allocation of maintained schools, in addition the EFA provides the Education Services Grant (ESG) for those services that are no longer provided by the local authority and may apply different protections to that seen through the MFG.

56. The ESG also provides funding to authorities for;
- a) the services it provides to all schools and academies such as strategic planning of the education service, development and maintenance of the school funding formula and strategic capital planning
  - b) the services it provides only to maintained schools such as ICT infrastructure, finance and HR

Academies receive the general rate direct from the EFA and a 'top-up' rate for the responsibilities transferred to them from local authorities.

57. A reduction in ESG has been confirmed for 2016/17 of 11% and reduces the general rate paid to local authorities and academies. The rates for both 2016/17 are;

	<b>2016/17 £ per pupil</b>	<b>2015/16 £ per pupil</b>
Retained Duties (paid to local authorities for every pupil at maintained schools and academies)	15	15
General Funding Rate (paid to local authorities for pupils in maintained schools and to academies for their pupils)	77	87

58. No funding protection is given to local authorities, however tapered protection will be paid to academies for the reduction in ESG, academies with low levels of ESG will not see a fall of more than 1% of their total funding, for academies currently receiving high levels of ESG may encounter a reduction of up to 3% of their total funding. The level of protection will be individual to each academy.
59. The Autumn Statement identified a national reduction of ESG of £600m. It is expected that the general funding rate for both local authorities and academies will be removed. A consultation is expected shortly.

### **Early Learning and Childcare**

60. There are no changes in 2016/17 to early years funding. The government have declared an intention to increase the rate payable to providers, although it is unclear how this will be funded.
61. The government has announced the authorities that will pilot the offer of 30 hours free childcare to eligible parents. Again there is uncertainty about how this will be funded and the point it will be introduced nationally.

62. The rates attached to the 2016/17 single funding formula for 3 and 4 year olds is detailed in the following table;

<b>Funded Unit / Per Hour</b>	<b>£</b>
Basic Rate	3.65
<u>Quality Supplement</u>	
Ofsted – Good	0.05
Ofsted – Outstanding	0.10
<u>Deprivation Supplement</u>	
IDACI Rank 1 – 9,744	0.10
IDACI Rank 9,745 – 22,737	0.05
IDACI Rank 22,738 – 32,482	0.01

63. The funding rate for disadvantaged 2 year olds remains unchanged at £4.85 per hour.

### **Dedicated Schools Grant Reserve**

64. The Schools Budget must be set at the level of DSG received plus / minus any carry forward from previous years. In Leicestershire the reserve is earmarked to allow the local authority to meet the cost of deficits where schools convert to sponsored academy arrangements and to fund growth arising from new schools.

	<b>£,000</b>	<b>Narrative</b>
DSG Reserve 1/4/15	10,833	Confirmed reserve at close of the 2014/15 financial year
<b><u>Reserve Utilised 2015/16</u></b>		
School Deficits	-1,333	Deficits reverting to the local authority upon maintained schools entering sponsored academy arrangements
2015/16 Dedicated Schools Grant Budget Overspend	-3,445	Forecast overspend recorded at Period 9, the overspend largely related to increased cost and volume of SEN placements
New School Growth	-319	School places and start-up funding for Fossebrook opening September 2016
<b>Estimated Reserve 31/3/16</b>	<b>5,736</b>	Estimated DSG reserve
<b><u>Allocations</u></b>		
School Deficits	-2,000	Provision for maintained school deficits on sponsorship. No significant deficits are expected in 2016/17, however the implications of coasting school legislation unclear, conversions expected in 2017 will place a call on this funding

Provision for new school growth	-3,736	Funding requirement is £21m to 2024, the current funding gap is estimated at £17.1m. The approach to funding this shortfall will need to be considered in 2016/17 and alongside the changes introduced through the national funding formula.
<b>Total Allocated</b>	<b>5,736</b>	

65. The DSG reserve has been generated by underspends within the Early Years and High Needs Blocks, only minimal contributions are received from the Schools Block which is either delegated to schools or subject to expenditure restrictions yet the reserve is providing funding for school related issues. Delegation of one off funding is not a sustainable option.
66. Financial risk remains within the Dedicated Schools Grant Budget. For High Needs the contingency previously held is allocated to increase special school and enhanced resource base funding, additionally it is facing pressure from unfunded place growth.
67. For Early Years it is necessary to provide long term funding for the early learning and childcare service. The financial impact of the extension of the two year old offer is uncertain given this is a growing entitlement and the local authority will be funded on a weighted average take up of places. The budget assumes a cash neutral position for this and the early years pupil premium.

### **The Local Authority Budget**

68. In order to set out the full context of the financial challenges facing the department the provisions for growth and savings set out in the Children and Family Services budget for 2016/17 to 2019/20 are shown below;

#### **Growth**

Ref		2016/17 £,000
G1	<b>Increased Cost of Social Care Placements</b> – the number of children in care has remained relatively stable but over the last few months there has been a significant increase in the number of 12-15 year olds with complex needs coming to the department's attention. Despite increased referrals to Early Help a proportion of these 12 -15 year olds have required high cost responses to address their particular needs, including challenging behaviour, severe emotional distress and/or sexual exploitation. The cost of provision for this type of need is significant and ranges from £140,000 to £312,000 per annum per case. Whilst numbers are relatively low, for 13 cases in the first quarter of 2015/16, the cost	7,900



	<p>incurred has been c£2.5m and is a significant element within the 2016/17 growth.</p> <p>The growth is based upon the estimated 2015/16 overspend and an estimate of potential future growth in the number of children in care. The MTFS proposals however include a number of activities targeted at reducing both the cost and volume of current and future placements.</p>	
G2	<p><b><u>Information Management Systems and Development</u></b> – the department operates two key systems – Capita1 for all school and pupil related information and Frameworki for social care. The needs of these systems are dynamic and are often affected by legislation changes and the level of confidence needed in this information is significant. Additionally needs and requirements change as a result of the need to present data to fulfil OfSTED requirements and provide robust performance management information. The cost of staff undertaking this role have been supported by the use of earmarked funds, however future changes are almost certain and it has become clear that there is a permanent need for this resource</p>	390
G3	<p><b><u>Supporting Leicestershire Families (SLF) – Pooled Budget Contribution</u></b> – the SLF programme has to date been funded in part from Government grant from the Troubled Families Unit, part from partner contributions and partly from a one off contribution from LCC. It has been confirmed that the government grant will continue and discussions with partners has also secured commitment to future funding. This growth represents an on-going commitment from LCC to this successful programme to ensure it is able to continue on a sustainable basis.</p>	500
G4	<p><b><u>Legislative Changes</u></b> – the Criminal Justice and Courts Act 2014 has been extended to require the police to transfer 17 years olds to local authority care where they have been charged with an offence but denied bail.</p>	80
G5	<p><b><u>Increase in Grants for Care Leavers</u></b> – local authorities are required to provide leaving care grants to children leaving care and setting up their own home. Nationally OfSTED has been critical of authorities where the grant has been less than £2,000; this increase brings the grant in line with expectations.</p>	35

## Savings

		£,000
CF1	<p><b><u>Remodelling in Early Help</u></b> – 2016/17 will see the completion of the ambitious programme to remodel early help services which has re-designed services. Together with partners in Health, Schools, District Councils, the voluntary sector, Community Safety and Youth offending services have been refocused on the most vulnerable children and young people. The programme has resulted in the co-commissioning of services and delivered integrated services. This saving is an increase of £200k from that within the 2015/16 MTFS.</p>	-1,400
CF2	<p><b><u>Develop local, lower cost provision for complex social care placements</u></b> – there are a number of providers for social care placements at any particular time and whilst it is possible to predict the need for some types of placement often those required for children with complex needs are limited at any one point and results in a premium cost. Although this represents a small number (13%) of the current children in care the costs are significant.</p> <p>By developing lower cost, local provision the County Council together with its partners can start to influence the market and reduce cost. A business case will be developed early in 2016 in order to fully understand the commercial viability of such a venture and specifically the investment needs and extent of potential savings which are scheduled for 2018/19.</p>	-2,000
CF3	<p><b><u>New Department Operating Model</u></b> – a number of changes in the department have been implemented in recent years, notably the integration of supporting Leicestershire families, including the transfer of youth offending and community safety which has allowed for the successful remodelling of early help services. Building on this model a new operating model will focus on targeted early help, by providing intensive family support at times of crisis, preventing and reducing the need for children to come into care and developing packages to enable children to move home sooner.</p> <p>This model has dependencies with the authority's overarching review of early help and prevention services and the recruitment of additional mainstream and level 6 foster carers</p>	-500
CF4	<p><b><u>Reduce Cost and Demand for Social Care</u></b></p>	-1,900

	<p><b>Placements</b> – Work undertaken on the reasons behind the 2015/16 overspend identified that cost and demand cannot be looked at in isolation in order to reduce the cost of placements, a number of activities combine to achieve this saving;</p> <p>Contract renegotiation – a number of contracts are in place for single and block purchases. A more structured and robust approach to contract management which includes identifying opportunities to reduce cost and achieve better value from commissioning decisions delivered savings during 2015/16 and will be applied routinely to placement decisions including annual provider negotiation on cost.</p> <p>Challenge to Care – a revised approach to placement commissioning decisions has been introduced. Whilst cost cannot be the determinant of an appropriate placement choice for children in care, the new process ensures that lower cost solutions where they are appropriate to need must be considered before exploring higher cost options.</p> <p>For children with complex needs placement choices need to consider a child’s social care needs alongside any health and educational needs. In terms of educational needs costs are met from the Dedicated Schools Grant (DSG) HNB with the contributions decided on an individual basis, achieving health related contributions has been challenging. A formal framework will be agreed with all agencies on the extent of the contributions to a placement cost. This is due to be established to deliver this element of the saving in 2017/18. For the County Council this will also require the new framework to be incorporated in planning the 2017/18 High Needs budget to ensure that any additional requirement for DSG is considered.</p>	
CF5	<p><b>Reduction in Educational Psychology Service</b> – this is the full year impact of the service restructure approved within the 2015/16 MTFS effected in September 2015</p>	-150
CF6	<p><b>Increase in In House Foster Carers</b> – successful recruitment campaigns to increase the number of foster carers were undertaken in 2015/16. This activity will continue and focus upon increasing the number of mainstream carers, currently the number of enquiries continues to exceed the target, a campaign is also focusing on staff members. It is</p>	-920

	<p>estimated that these campaigns will deliver an additional 12 carers for 2016/17 rising to a total of 35 for 2017/18 and is estimated to deliver an annual saving per carer of £15,000. This is a challenging target which will increase the percentage of placements in in-house provision from 59% to 80%.</p> <p>A further campaign is targeted at increasing specialist carers which will reduce the reliance on expensive Independent Fostering Agency placements. The recruitment target is 6 carers which will reduce costs by an estimated £100k per placement.</p> <p>This approach sets out an ambitious programme of transformation to the recruitment and retention of foster carers</p>	
CF7	<p><b>Early Learning &amp; Childcare</b> – the 2015/16 MTFS approved the departments approach to fully fund the service from DSG which would deliver savings to the local authority budget.</p> <p>Whilst some savings have been achieved through effective establishment management the service will no longer provide services that are no longer a statutory responsibility. This will result in reducing the hours of improvement advice available to providers and targeting on those with most need, reducing the level of moderation on the Early Years Foundation Stage profile, removal of the Bookstart co-ordinator post and the removal of the early years workforce development budget.</p> <p>The impact of the introduction of the Childcare Bill expected in 2016 will increase the entitlement to free childcare from 15 to 30 hours and proposes further changes to local authority responsibilities will also need to be considered within the service when details are known.</p>	-500
CF8	<p><b>Reduction in Senior Management</b> –the department was restructured in 2013, since this point a number of legislative changes have been enacted and Ofsted expectations and requirements have changed. It is now clear that the government's intention is to reduce local authority statutory duties and their role in running schools. Additionally services have reduced as a result of successive MTFS savings.</p> <p>Senior posts that are vacant will not be recruited to</p>	-850

	<p>and further reductions will be delivered following the launch of an HR action plan early in 2016. It is vital that, as much as possible, there is leadership and management stability in the lead up to and during the Ofsted inspection and the reduction will need to be carefully managed. This is however a significant reduction which will reduce leadership and management capacity.</p>	
CF9	<p><b><u>Childrens Home Closure</u></b> – the consultation closed on the proposed closure of Greengate House children’s home on 20 December 2015 and Cabinet will consider the consultation outcome at its meeting in February 2016.</p> <p>Greengate House is a children’s residential home located in Wigston. Greengate was built in 1974 and requires considerable immediate work to modernise and repair the building. The consultation considered the proposed closure of Greengate, this will allow the reinvestment of resources to recruit specialist foster carers who will provide the necessary support for the most vulnerable children in care in a family environment. Savings will be delivered largely from the reduction in premises and associated costs.</p>	-400
CF10	<p><b><u>Establish Regional Adoption Agency</u></b> – it is a government priority to increase the number of children adopted and reduce the timescale to complete the process. It is encouraging local authorities to merge in order to provide children an increased opportunity for adoption. The East Midlands Directors of Children’s Services have been successful in securing government grant to develop a regional approach and move swiftly to implement change. A consultant has been appointed by Lincolnshire County Council to progress the change, governance is in place and a timetable for change is to be completed early in 2016.</p> <p>A reduction in the timescale for the adoption process will deliver savings within placement budgets</p>	-130

## **Capital Programme**

69. The capital settlement for Children and Families Service 2016/17 continues to be provided by DfE grant for schools, some of which are yet to be confirmed. The proposed capital programme is shown at Appendix C.
70. The capital programme is aligned to the school place planning strategy 'In the Right Place' which was approved by the Cabinet on 19 November 2015 and the programme has been developed to target the priorities as set out in the strategy.
71. There are a number of risk that may affect the capital programme in the future:
  - The programme continues the assumption that the Basic Need Grant remains sufficient to meet the number and cost of additional school places and that the grant and developer contributions remain sufficient to meet the capital costs of new school places, this presents an overall inherent risk to the programme but also to the local authorities statutory responsibility to provide additional school places where required.
  - The capital maintenance grant remains insufficient to meet the assessed maintenance requirements for schools.
  - No grant is received to ensure that schools remain suitable learning environments, including the reconfiguration of a school campus where that would result in a more efficient use of a schools site, or the development of specialist provision for pupils with special educational needs.
  - There are a number of mobile and temporary buildings on maintained school sites. Many of these buildings are reaching the end of their useful life, additionally a number are subject to temporary planning permissions which are not being renewed by planning authorities. There is currently no identified source of capital to address these issues.
  - No capital grant is received to develop or increase places within special schools
72. The Corporate Schools Group, which consists of senior officers from Children and Family Services and Corporate Resources are considering these issues and developing a strategy in the medium term to minimise these risks and identify potential solutions. This also needs to consider any opportunity to meet revenue costs associated with the delivery of the capital programme which are currently partially met from earmarked funds to the end of 2016/17.

## **Basic Need**

73. Basic Need Grant funds growth in the number of school places in maintained schools, academies and free schools and the establishment of new schools. Local authorities are required to consider the need for additional school places in all providers equally based on local needs and priorities. Any new school established is now required to be a Free School and local authorities are required to enter into a competitive process that determines its operator. The grant allocation is based upon information collected through the annual School Capacity Survey (SCAP) which collects information on school capacity and pupil number forecasts within clusters of schools and informs the number of additional places required. The information

74. The EFA have announced the grant for 2016/17 and 2017/18, a further announcement for 2018/19 is expected in January. The confirmed allocations are;

	<b>2016/17 £,000</b>	<b>2017/18 £,000</b>	<b>Total £,000</b>
Allocation	26,397	4,524	30,921

75. 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 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.

76. The proposed programme is based on predicted future pupil numbers for each individual school and academy based on the historic pattern of pupil admissions, schemes may need to be revised should future school admission patterns and / or the expectations of housing growth change. This is particularly relevant to the proposed programme for 2017/18 onwards.

77. For schools entering into sponsored academy arrangements sponsors seek to minimise any financial risk and this includes expectations that any immediate capital works are completed. The capital programme makes provision for campus redevelopment works on academy sites where to do so allows the local authority to meet its priorities as set out within the place planning strategy.

78. The draft schemes are grouped under the following priorities within the place planning strategy, the significant schemes are;

<b>Place Planning Priority</b>	<b>Proposed Schemes</b>	<b>2016/17 £,000</b>	<b>2017/18 £,000</b>
Key Priority 1 - To provide the additional primary schools required	This allocation will provide the necessary funding for additional places for September 2016 and 2017	9,758	2,777

	<p>and will include the delivery of 17 additional classrooms and extensions and adaptations and includes;</p> <ul style="list-style-type: none"> <li>• Additional classrooms at Kibworth C of E, Long Clawson, Ratby, Sileby Redlands and Farndon Fields</li> <li>• Extension at Barwell schools</li> <li>• Conversion of the former Mount Grace campus to primary provision</li> </ul>	3,804	2,851
	<p>To provide new primary schools;</p> <ul style="list-style-type: none"> <li>• Completion of Fossebrook - the new school serving Braunstone and Leicester Forest East</li> <li>• New school at Birstall Hallam Fields</li> </ul>		
Key Priority 2 – To ensure there is a good supply of secondary schools in each locality offered through well planned, sustainable and viable solutions	<ul style="list-style-type: none"> <li>• To deliver structural changes to schools to enable 10+ retention in Wigston, Shepshed, Castle Donington and Oadby</li> </ul>	4,880	
Key Priority 3 – To fulfil the commitment to the programme of special schools	Completion of the final area special school in Wigston	8,000	2,000

79. The programme will also provide £0.1m to contribute to schemes necessary to ensure access to schools for children with disabilities and to meet any safeguarding requirements identified through Ofsted in maintained schools. Additionally an allocation of £0.85m is included to complete the replacement of mobile classrooms at Cossington primary for which a permanent replacement is necessary as a result of planning requirements.



## **Capital Maintenance**

80. This grant is payable to local authorities in order to maintain suitable learning environments and is received for maintained schools only. The 2016/17 grant allocation has not been announced but it is estimated to be £3.4m and is allocated to maintenance priorities such as boiler replacement, structural repairs and electrical works.

## **School Condition Capital**

81. This grant is payable to local authorities in order to maintain suitable learning environments and received for maintained schools only and was formerly known as the Strategic Maintenance Grant. The 2015/16 grant allocation is £3.4m and is allocated to maintenance priorities such as boiler replacement, structural repairs and electrical works.

## **Devolved Formula Capital**

82. Devolved formula capital is paid to local authorities on a national formula which is based upon pupil numbers in maintained schools, the funding is passported directly to schools. Academies also receive the grant directly from the EFA. Grant has not been confirmed for Leicestershire maintained schools and is estimated to be £0.74m £0.8m.

## **Appendices**

Appendix 1 – 2016/17 Children and Family Services Revenue Budget

Appendix 2 – Local Authority Formula Submission to the Education Funding Agency

Appendix 3 – Summary of Commissioned High Needs Places

## **Background Papers**

Report to The Schools Forum 14 January 2016, Funding Schools Growth

Report to The Schools Forum 14 January 2016, School Funding 2016/17

<http://cexmodgov1/ieListDocuments.aspx?CId=1018&MId=4562&Ver=4>

Report to The Children and Families Overview and Scrutiny Committee 18 January 2016 , Medium Term Financial Strategy 2016/17 – 2019/20

<http://cexmodgov1/ieListDocuments.aspx?CId=1043&MId=4485&Ver=4>

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