



CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE
15 JANUARY 2018

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

MEDIUM TERM FINANCIAL STRATEGY 2018/19–2021/22

Purpose of Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2018/19 to 2021/22 Medium Term Financial Strategy (MTFS) as it relates to the Children and Family Services Department;
 - b) Ask members of the Committee to consider any issues as part of the consultation process, and make any recommendations to the Scrutiny Commission and the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2017. This was the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2018/19–2021/22 was considered by the Cabinet on 12 December 2017.

Background

3. The MTFS is set out in the report to Cabinet on 12 December 2017, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Children and Family Services Department.
4. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this Committee will be reported to the Scrutiny Commission on 24 January 2018. The Cabinet will consider the results of the scrutiny process on 9 February 2018 before recommending a MTFS, including a budget and capital programme for 2017/18 to the County Council on the 21 February 2018.

Service Transformation

5. The transformation programme continues to be targeted at the development and implementation of a sustainable, cost effective operating model for the Children and Family Services Department that improves outcomes for children and young people in Leicestershire.
6. The department has significant transformation projects charged with delivering the Medium Term Financial Strategy (MTFS) savings in relation to the development of the

Care Placement Strategy, children's centres and early help services and services for pupils with High Needs;

- Care Placement Strategy – the department continues to develop this key strategy to effectively manage the Looked After Children (LAC) system through keeping numbers as low as possible by diverting children to use new and more forms of family support. This is linked to the changes being delivered through the Early Help Review. It will also enable the delivery of more cost effective placement solutions, including intensive family support, which will reduce the use of residential care. Where residential care is necessary ensuring it is cost effective. Additionally the fostering service will be developed to avoid and reduce the number of more costly Independent Fostering Agency (IFA) placements and extend the use of Adoption to include older and more challenging children.
- Early Help - The department is developing plans to meet the £1.5 million MTFS savings against Early Help (Children's Centres, Supporting Leicestershire Families (SLF), Youth Offending Services), the plans will be considered by Cabinet in January 2018. The plan will also incorporate the need to fund an additional £2.3 million due to the ending of the SLF partner contributions and Department for Communities and Local Government grant in 2020 which is currently supporting the Supporting Leicestershire Families Service.
- High Needs – The High Needs Strategy Board has developed and is monitoring a number of workstreams to address the overspend position on the High Needs Block of the Dedicated Schools Grant (DSG). The Board is also making plans for the future strategy to ensure that expenditure can be contained within the overall level of grant including the impact of changes in funding levels as a result of the implementation of the national funding formula delivering changes to the allocation methodology for the grant. This will include a financial strategy that will set out how the grant will be managed in future years.

7. The programme will be dynamic and respond to:

- Legislative changes in the role of local authorities in education and social care
- The continued reform in social work practice.

Proposed Revenue Budget

8. The table below summarises the proposed 2018/19 revenue budget and provisional budgets for the next three years. The proposed 2018/19 revenue budget is shown in detail in Appendix A.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Original prior year budget	60,800	68,849	68,974	70,099
Budget Transfers and Adjustments	814	0	0	0
Sub total	61,614	68,849	68,974	70,099
Add proposed growth (Appendix B)	8,680	2,800	2,800	3,200
Less proposed savings (Appendix B)	-1,445	-2,675	-1,675	-670
Proposed/Provisional net budget	68,849	68,974	70,099	72,629

9. 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.
10. The central contingency also includes provision for an annual 1% increase in the employers' contribution to the Local Government Pension Scheme based upon the 2016 triennial actuarial revaluation of the pension fund.
11. The total gross proposed budget for 2018/19 is £305.918m with contributions from specific grants, health transfers and service user and partner contributions projected of £237.069m (including £231,734m of services funded from the Dedicated Schools Grant. The proposed net budget for 2018/19 totals £68.849m and is distributed as follows:

Net Budget 2018/19	£ million	
Directorate	1.0	1.4%
Safeguarding, Improvement and Quality Assurance	2.3	3.3%
Children in Care	37.4	54.3%
Field Social Work	9.5	13.9%
Targeted Early Help	10.2	14.8%
Education Sufficiency	0.3	0.4%
Education	1.3	1.9%
SEND and Children with Disabilities	3.9	5.8%
Business Support and Commissioning	2.9	4.2%
Department Total	68.8	

Other Changes and Transfers

12. A number of budget transfers (totalling a net increase of £0.8m) were made throughout the 2017/18 financial year and are now adjusted for in the updated original budget. These transfers are:
- 2017/18 pay inflation, from the central contingency £0.7m
 - Apprenticeship levy £0.1m

Since the Cabinet Report was presented in December, a Public Health transfer of £0.8m has been agreed. This transfer will be included in the February report to the Cabinet.

13. Growth and savings have been categorised in the appendices under the following classification:
- * item unchanged from previous MTFs;
 ** item included in the previous MTFs, but amendments have been made;
 No stars new item.

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

Savings have also been classified as Transformation or Departmental and highlighted as "Eff" or "SR" dependent on whether the saving is seen as an efficiency or a service

reduction or a mixture of both. "Inc" denotes those savings that are funding related or to generate more income.

Growth

14. Growth over the next four years in the local authority budget total £17.48m, including £8.68m in 2018/19. The budget increases are outlined below and summarised in Appendix B. Before the MTFS report to Cabinet on 9 February, the provisional MTFS will be reviewed and if appropriate updated by the latest budget monitoring position for 2017/18. The social care placement budget in particular is subject to volatility.
15. ** G1 Demographic Growth – Social Care Placements £5,900,000 rising to £14,700,000 by 2021/22
At March 2017 Leicestershire had 37 Looked After Children (LAC) per 10,000 population, lower than the statistical neighbour average of 51, East Midlands average of 55 and England average of 62. It is estimated that over this MTFS period numbers growth will be encountered that will result in Leicestershire becoming in line with the statistical neighbour average. Nationally the number of placements for children in care is expected to grow and it is anticipated that numbers of looked after children in Leicestershire will continue to grow in line with increases in similar authorities. The national position is that the numbers of children in care is continuing to rise and this pattern is being seen in Leicestershire.
16. The MTFS forecast is based on current trend analysis and proportion of children placed in different type of provision as shown below;

Placement	Projected		2018-22 MTFS			
	Baseline		2018/19	2019/20	2020/21	2021/22
FOSTERING	328		355	383	414	447
CONNECTED FOSTER CARER	93		100	108	117	126
RESIDENTIAL CARE	65		70	76	82	89
SEMI-INDEPENDENT LIVING	31		33	36	39	42
ADOPTION	27		29	31	33	36
PLACED WITH PARENTS (OR OTHER PERSON WITH PARENTAL RESPONSIBILITY)	12		13	14	15	17
MEDICAL						
YOUTH JUSTICE						
OTHER	9		10	11	12	12
TOTAL LAC	565		610	659	712	769
Forecasted Leicestershire LAC rate per 10,000	41		43	46	50	53

A number of factors have been identified that have contributed to the increase in cost and volume during 2017/18 which are expected to continue:

- Children with disabilities – the number of children with disabilities in residential care increased from 19 to 24 in the first six months of 2017 as a result of a demand to provide placements for young people with complex disabilities, including autism and Attention Deficit Hyperactivity Disorder (ADHD). As children become older and behaviour more challenging families begin to struggle to meet their need and to care for them full time, 21 of the 24 cases are young people in the 14 to 18 age

range. Whilst every attempt is made to support these young people and their families in the community, for some this has proved impossible. Due to their complex needs, if a foster placement can be found it often needs to be a solo placement at a higher cost or residential provision.

- Sufficiency in the market for Independent Fostering Agency (IFA) Placements –
Nationally there is significant demand for IFA places for children with complex needs. Due to this unprecedented demand agencies have more choice over who they are able to offer a placement to with a tendency to prioritise children with less complex needs. This has resulted in children that would have previously been placed with an IFA being placed in residential provision at a cost differential of an average £2,650 per place per week.
- Children Suffering Trauma
A further increase has been experienced in the number of younger people who have suffered high trauma and require intensive support and supervision to allow them to work through their experiences. A number of young people have experienced significant sexualised risk which require specific intervention and risk management. Additionally there has been a rise in the need for residential mother and baby placements which have been ordered by the court.

New - Social Care Agency Premia / Recruitment and Retention: £500,000 in 2018/19

Research across the East Midland region has identified differences in pay structure and rates for groups of social workers. It is intended that a market premia is applied to particular areas of the pay grades to ensure that social workers consider Leicestershire to be the employer of first choice and to allow effective career progression and remuneration to ensure that social workers choose to remain with the County Council. This in turn will reduce reliance upon agency workers which is reflected within the departments 2017/18 overspend.

New - Removal of Social care Staff Turnover Factor: £580,000 in 2018/19

Social worker staffing budgets have been historically reduced to recognise staff turnover levels, i.e. the gap between workers leaving and recruitment to the post. In order to respond to Ofsted expectations on caseloads posts are no longer held vacant and are indeed often covered by agency staff at a higher cost, For 2017/18 budgets are not achieving the turnover saving and it is proposed to remove this permanently.

New - Ofsted Continuous Improvement Plan: £2,000,000 2018/19

Cabinet considered and approved the investment necessary to support the post Ofsted Continuous Improvement Plan at its meeting on 15 September 2017. Together with £0.5m of growth included within the 2017/18 MTFS this funding will provide resource for 36 additional posts within children social care, establish a post adoption support fund and provide for 2 additional solicitors and address the financial pressure for increased costs arising from care proceedings.

*G26 Removal of One Off Contribution to Supporting Leicestershire Families Programme: -£300,000

SLF is currently funded through a combination of partner funding, LCC earmarked funds, grant funding and revenue budget. Earmarked funds will be extinguished during the MTFS period and both partner contributions and future grant funding is uncertain. As a result a one off contribution was made in 2017/18 to reflect this uncertainty. This negative growth line reflects the one-off nature of this allocation

Savings

17. Details of proposed savings for the local authority budget are set out in Appendix B and total £1.445m in 2018/19 and £6.465m over the next four years in total.

Transformation

** CF1 Eff – New Department Operating Model :+£190,000 rising to +£90,000 in 2020/21

This target is reduced from the £500,000 set out within the 2017/18 MTFS by £390,000. The senior manager restructure was completed in 2018/19, however due to previous savings not being delivered pending the appointment of a new Director of Children and Family Services this resulted in a £290,000 shortfall in budget. The savings set out here rectify the current position and incorporate future changes under development in the organisation of a number of education related functions such as education quality and school organisation. Proposals are currently being firmed up and will relate to staffing and changes to the balance of grant funding to revenue budget largely as a result of the receipt of a school improvement grant.

**CF2 / CF3 Eff – Internal Foster Carer Growth: -£700,000 in 2018/19 rising to -£2,900,000 in 2021/22

The fostering service has targets for the net increase in mainstream foster carers of 25 per year, this increase is delivered within the service as business as usual activity which includes a potential revision to the carer allowances paid, and this is expected to deliver savings of £300,000 in 2018/19 rising to £1,800,000 in 2021/22. Additionally a target of 20 has been set for the recruitment of specialist carers delivering savings of £400,000 in 2018/19 rising to £1,100,000 in 2021/22. Recruitment of internal foster carers will ensure that children's needs can be met a lower cost but is unlikely to be sufficient to keep pace with the projected increase in the number of children in care. Recruitment has been buoyant through 2017/18 and is expected to continue over the term of the MTFS. Changes in working practices and marketing activity should allow for the progress achieved in 2017/18 to continue on an annual basis.

CF4 Eff - Develop Wrap Around Therapeutic Support Services: -£700,000 2020/21

The development of a wraparound multi systemic therapy team will provide a therapeutic support service for Looked After Children (LAC) aged between 8 and 18 years old. The service will aim to rehabilitate those young people living in residential care, who with therapeutic support can live in family based or independent provision. This could be fostering, a move home, supported lodgings or 16+ accommodation all of which would reduce high cost placements.

*CF5 Eff / SR – Admin / Business Support Review: -£150,000 2018/19

This target is unchanged for 2018/19. Administration and business support functions across the department have been reviewed. An action plan is due to be launched which will standardise a business support offer targeted at need and ensure that functions are carried out at appropriate grades.

**CF6 Eff /SR – Early Help Review: - £1,500,000 2019/20

The 2017/18 MTFS review included savings for CF4 – Children's Centre Review of £1m in 2019/20 and CF12 – Early Help Review of £0.5m in 2018/19, These savings have been combined to create one saving of £1.5m which will be delivered in 2019/20. The Early Help review will also consider the additional savings of £2.3 million that would be

required as the earmarked fund is fully utilised and if the partnership funding and DCLG grant ends. Cabinet will receive a report in January 2018 which will set out the future of the early help programme which will include a reconfiguration of some children's centres and the integration of all Early Help Services into a single model.

CF7 Eff - Disabled Children's Respite Care: -£100,000 2019/20

The 2017/18 MTFS included a Saving Under Development in relation to the contract for the provision of short break / respite care for children with disabilities. An outline business case has been developed which widens the approach to consider service for disabled children across the department. Proposals are in the early stages of development and will focus upon efficiency and value for money.

CF 8 Eff – Review of Staff Absence: -£80,000 2019/20 rising to -£150,000 in 2020/21

To reflect the support being put in place to reduce staff absence a financial target has been allocated to all departments. This reflects the intention to meet or exceed the County Council's target of 7.5 days per FTE. The target is phased 50% in 2019/20 and 100% in 2020/21 to allow time for improvement to take effect. This is the savings total for the whole department

Departmental

*CF9 Eff / Inc Review Educational Psychology Service: - £125,000 in 2018/19 rising to - £225,000 in 2019/20

This saving is unchanged from the 2017/18 MTFS. The saving for 2018/19 will be achieved through the generation of additional traded income. The additional saving for 2019/20 is being developed and will be a mixture of additional income and staffing changes.

** CF10 / CF13 SR –Re-procurement of contract for Careers Information, Advice and Guidance: £700,000 in 2018/19

This saving combines two previous elements of the 2017/18 MTFS. The contract was subject to a temporary extension at a reduced sum from October 2017 and is subject to full retendering from July 2018.

** CF11 / Inc – Charge for Academy Conversion: +£40,000 in 2018/19 rising to +£70,000 in 2021/22

A saving was included in the 2017/18 MTFS at £70,000 with the expectation that as a result of the White Paper – Educational Excellence Everywhere proposing that all schools should be progressing academy status by 2020. There appears to be a national policy void in this area and the savings target has been reduced accordingly and removed in full in 2020/21, reflecting the slower rate of academy conversion.

CF12 Eff - Education of Children in Care: -£200,000 2019/20

A review of the service is underway, this has identified potential areas where efficiency savings could be realised. The saving is challenging given the statutory nature of the service changed as a result of the introduction of the Children and Social Work Act 2017. This expanded the remit of the service to include the provision of advice to previously looked after children and their families particularly with regard to adopted children.

Dedicated Schools Grant

18. For 2018/19 the Dedicated Schools Grant (DSG) structure has changed and is now calculated in four separate blocks as set out below;

Funding Block	Areas Funded	Basis for Settlement
Schools Block £380.144m	<p>Individual budgets for maintained schools and academies.</p> <p>DSG is notionally allocated to Leicestershire for all maintained schools and academies. A locally agreed funding formula is applied to this to determine school budgets, for maintained schools these are allocated directly by the local authority, for academies the funding is recouped from the settlement by the Education and Skills Funding Agency (ESFA) who then directly fund academies.</p>	<p>2018/19 sees the implementation of the National Funding Formula for schools which attributes units of funding to pupil characteristics. The grant settlement is based on the aggregate of pupil led characteristics for each individual school plus an allocation for school led factors based on 2017/18 expenditure.</p> <p>Overall this allocation is increased by 3% per pupil for 2018/19.</p>
Central School Services Block £3.284m	<p>This is a separate block for the first time in 2018/19. It 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>90% is distributed through a per pupil allocation based on previous expenditure and the former rate of the Education Services Grant plus an element based on actual 2017/18 expenditure.</p> <p>Overall this is an increase of 1.8% over the 2017/18 baseline.</p>
High Needs Block Est £65.980	<p>Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and support services for</p>	<p>This DSG Block moves to a formulaic allocation for the first time in 2018/19. The formula is based upon population of 0 -19 year olds</p>

	<p>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>Confirmation of the 2018/19 grant is not expected until March 2018.</p>	<p>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 £3.98m through this element.</p>
<p>Early Years est £30.917m (3 & 4 year olds)</p> <p>2 year old disadvantaged places £3.428m (est)</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. The factors as recorded on the early years census in January 2018 and updated for the January 2019 census, final grant is not expected to be confirmed until May 2019.</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 £4.30 per hour for 3 and 4 year olds and the lowest rate of £5.20 per hour for disadvantaged 2 year olds.</p>
£483.753m	2018/19 Estimated DSG	

19. The 2018/19 MTFS sets the overall Schools at the level of DSG received and is therefore shown as a net nil budget at local authority level.

Schools Block

20. For 2018/19 and 2019/20 a 'soft' formula will be in place. A soft formula is the terminology to describe a situation whereby notional school allocations are calculated at a national level based upon pupil characteristics. Local authorities will then apply their own local funding formula to generate individual school budgets.
21. The 2018/19 Schools Block DSG settlement to local authorities will be a value per primary and secondary pupil based upon pupil characteristics recorded within the October 2016 school census plus a fixed sum for school led factors. The figures confirmed for Leicestershire are:

2018/19 DSG	
Number of Primary Pupils x	£3,811
+	
Number of Secondary Pupils x	£4,930
+	
Funding for school led factors – Rent / Rates / New School Growth	Per 2017/18 expenditure
Total Schools Block DSG	
£380.144m	

22. However school budgets are required to be calculated on the October 2017 census, pupil characteristic changes and increases in the cost of school led factors will mean that some adjustment to locally set formula factors will be required to keep the total schools budget within the overall Schools Block DSG, the consultation on the 2018/19 school funding formula considered how this would operate.
23. The illustrative figures issued by the DfE in September estimate the following increases compared to 2017-18. DfE published the total Schools Block allocation in December but not individual school NFF allocations. Overall DSG increased by c£6m as a result of increase pupil numbers which will increase the overall gains represented below;

	2018/19		2019/20	
	£	%	£	%
Primary	+£3.2m	2%	£5.8m	3%
Secondary	+£7.5m	5%	£13.3m	8%
Total	+£10.7m	3%	+£19.1m	5%

24. Despite the overall increase in budget, at individual school level a number of schools are on the funding floor with an increase of 0.5% per pupil for these schools despite additional funding they will experience a real term decrease in funding. The Cabinet will receive a report in January, detailing the proposals for the school funding formula following consultation with schools and Schools Forum. It is expected that responsibilities for setting a school funding formula will be removed from local authorities at some point in the future with all school budgets being calculated nationally by the ESFA. It was expected that this change would be implemented in 2020/21 although there is growing uncertainty on whether this can be achieved.
25. The County Council has worked with a group of school representatives and the Schools Forum to develop a formula which has been subject to consultation with all maintained schools and academies. The formula was presented to Cabinet on 9 January for decision prior to submission to the Department for Education (DfE) by 19 January 2018. The Cabinet report sets out the full detail of the process followed to establish the 2018/19 school funding formula with a recommendation of moving as close to the NFF as possible for both primary and secondary schools but with the exclusion of the sparsity factor and the methodology to be used to ensure that the formula does not exceed the level of DSG received.

High Needs

26. The High Needs formula allocates funding according to a basket of pupil related indicators but also includes an allocation based on current spend. For Leicestershire this results in a minor increase in funding for 2018/19 but includes c£4 million of protection funding, this protection is not guaranteed in the long term. The December 2017 consultation set out that the formula would be reviewed in 4 years and DfE officials have informally stated that the formula, including the protection, will remain until such point it is reviewed. It is however essential that a financial strategy, including the development of a contingency, is established.
27. The following table sets out the summarised income and expenditure position based on current estimated service demand;

	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
High Needs Placements	60,213	60,448	61,192	61,622
Other High Needs Costs	6,051	6,211	6,211	6,211
Total High Needs Expenditure	66,265	66,659	67,403	67,833
High Needs Grant	-65,301	*-64,844	-65,146	-65,146
Projected Overspend	964	1,815	2,257	2,687

* The introduction of the High Needs Funding Formula for 2018/19 introduced a baseline change. The DfE have transferred element 1 funding for SEN Units in mainstream schools from the High Needs Block to the Schools Block

28. The High Needs Inclusion Project is charged with identifying long term and sustainable solutions that ensure that the level of expenditure is able to be contained within the High Needs Grant both in the short term, whilst the grant is relatively stable, and in the longer term should the level of protection within the current system be reduced. The loss of protection would increase the savings requirement from £2.7 million to £6.7 million.

The project has a number of workstreams that include the development of a financial strategy to address fluctuations in both expenditure and grant. This will allow the creation of a contingency, allowing the service to manage financial issues in a planned way.

29. The High Needs Project Board has already implemented a number of changes leading to a reduction in the overspend on the High Needs Block. These include more robust assessment of need, leading to children being placed in appropriate more cost effective provision, and the development of local lower cost autism provision within mainstream schools.
30. The SEND Strategy will be considered by Cabinet early in 2018 and will set out a number of areas of development. A key area of this that will contribute to the savings and a robust financial strategy for the High Needs block is improving the quality and sufficiency of SEND education provision and services. This will be through supporting mainstream schools and settings to develop their SEN provision alongside developing local specialist services to ensure sufficiency of places across a continuum of needs.
31. Savings proposals are being developed and will include:

- The development further autism provision. Additional enhances resource bases place within mainstream schools at two secondary academies and at one maintained primary school will become available from September 2018 for pupils with autism. The cost avoidance per pupil of this type of provision, as opposed to independent provision, is in the region of £20,000 per pupil per year.
- The department is currently reviewing the structure and service offer within Specialist Teaching Services, which will also consider the future model for early years' provision including the delivery of the Free Entitlement to Early Education (FEEE) and for pre-school children with special educational needs and disability. An action plan is due to launch in February.
- Options are being developed to reduce the cost of supporting children and young people unable to attend schools as a result of medical conditions. This is an area where expenditure has been growing over recent years and alternative service options that will decrease cost and increase pupil outcomes are being investigated.

32. The County Council has a statutory responsibility to support children and young people with special educational needs (SEN). The direct consequence of this is that if expenditure cannot be contained within the available grant, including earmarked funds, and if the Schools Forum do not approve a carry forward of a DSG deficit, then other resources will need to be diverted to fund the shortfall. For 2017/18 the projected overspend on the High Needs Block is c£1.0m and DSG earmarked funds are available to fund the forecast overspend. It is estimated that the DSG earmarked fund will total £1.7m at the end of the current financial year, however this will be required to fund any costs reverting to the local authority at the point maintained schools converting to academies under sponsored arrangements meaning that this will not be possible to fund any DSG overspend in future years

Central Services Block

33. A Central Service Block is introduced in 2018/19. This block funds a number of school related expenditure items such as existing school based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic school related costs.
34. For 2018/19 this block also includes funding for the retained duties that local authorities have for its statutory duties for all schools such as ensuring sufficient supply of school places and asset management previously funded through the retained duties element of the former Education Services Grant..

Year	Historic commitments	On-going Functions	Total	Overall Change
2017/18	£1.0m	£2.1m	£3.1m	
2018/19	£1.0m	£2.2m	£3.3m	+ 1.8%
2019/20	£1.0m	£2.3m	£3.3m	+ 3.4%

Early Years Block

35. There are no changes to the Early Years Block. Grant remains determined by the number of children participating in early years' education. The funding will support the first full year of the 30 hours FEEE which was introduced nationally in September 2017 (April 2017 in Leicestershire) for eligible parents and continued delivery of the early years offer for disadvantaged two year olds. Of the grant at least 95% must be delegated to providers.

Savings Under Development

36. The MTFS is balanced in 2018/19 and 2019/20 and shows shortfall of £9m in 2020/21 rising to £18m in 2021/22. To help bridge the gap a number of initiatives are under development to generate further savings. Once business cases have been completed savings will be confirmed and included in a future MTFS. Due to the focus on reducing the cost of placements no new savings initiatives have been identified for the department but this position may change during the year.

Other Funding Sources

37. The specific grants for the department are;

- Dedicated Schools Grant (DSG) (£483.75m est). The purpose of this grant is detailed in the other sections of this report.
- Maintained School sixth forms (£0.7m 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 (£ 5.6m est). Passported to schools to raise the attainment of disadvantaged pupils. This figure excludes academy allocations with are paid directly by the ESFA. Funding rates for free school meal and service children are unchanged from 2017/18, funding rates for looked after children and children adopted from care will increase by £400 to £2,300 per pupil. The DfE have stated they will continue the grant for the term of the current Parliament.
- Universal Infant Free School Meals (£3.8m est). The Children and Families Act 2014 placed a legal duty on all state-funded schools in England to offer a free school lunch to all pupils in reception, year 1 and year 2 from September 2014. This grant is fully passported to schools to fund this responsibility. This figure excludes academy allocations with are paid directly by the ESFA. The grant has not been confirmed and is assumed to be at the same level as 2017/18.
- PE and Sports Grant (£1.8m 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 with are paid directly by the ESFA. The grant has not been confirmed and is assumed to be at the same level as 2017/18.
- Asylum Seekers (£0.35m 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.

- Staying Put Implementation Grant (£0.08m 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 2017/18.
- Youth Justice Good Practice (£0.5m). The purpose of the Youth Justice Good Practice Grant is to develop good practice and commission research, with a view to achieving the 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 2017/18.
- Remand Reform (£0.4m). Local authorities became responsible for remands to youth detention in April 2013. The grant has not been confirmed but is assumed to be at the same level of that for 2017/18.
- SEND Reform Grant (£0.3m est). The Children and Families Act 2014 introduced significant changes in respect of supporting children and young people with special educational needs and disabilities (SEND) including the introduction of Education, Health and Care Plans, publication of the local offer of support services and the introduction of personal budgets. Changes have been supported by specific grant allocations by the Department for Education (DfE) and a further grant for 2018/19 has been confirmed nationally, it is assumed that Leicestershire will receive the same proportion of the national funding as for 2017/18.
- Troubled Families Programme (£0.9m 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 Governments targets and the third to fund service development. The grant has not been confirmed and is assumed to be at the same level as 2017/18.
- School Improvement Grant (£0.1m est). This was a new grant from September 2017 for local authorities to co-ordinate school improvement activity in mainstream schools. The DfE have confirmed that the grant will continue into the 2018/19 academic year but have not confirmed how much this will be.
- Early Years Disability Access Grant (£0.106 est). Supports access for children with disabilities to attend nursery providers

Capital Programme

38. The draft Children and Family Services capital programme totals £43.460m over the next four years including £17.3m in 2018/19. The draft programme and funding are outlined below and summarised in Appendix C. The programme for 2018/19 is set out in more detail than that for future years where both the need for school places and the grant funding from the DfE is less certain. It is envisaged that over the four years of the MTFS that an additional 2,500 school places will be created.
39. The programme is fully funded by external grant and developer S106 contributions:

Basic Need Grant - is received from the DfE based upon the need to create additional school places, grant of £16.939m is confirmed for 2018/19 and £11.516m for 2019/20,

announcements of grant for the latter two years of the MTFs are expected in early 2018 and 2019. The grant reflects the overall place need across the County and will be in both maintained schools and academies. The programme is being delivered ahead of schedule in 2017/18. This has allowed £6m of Basic Needs grant for 2018/19 to be accelerated into the 2017/18 capital programme.

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

S106 Contributions – it is estimated that a total of £1.818m of S106 contributions will be received in 2018/19 rising to £7.801m in 2019/20. This estimate is based on the current estimates of developer activity for the first two years of the MTFs only, estimates will be revised in the light of actual development rates over the MTFs period.

SEND Provision Capital Grant – this grant was announced during 2017/18 by the DfE and in response to the introduction of the National Funding formula for High Needs to provide local authorities with capital to develop cost effective SEN provision and is confirmed at £0.709m for the first three years of the MTFs. Release of the grant is dependent upon the approval of a SEN Strategy which was considered by Cabinet on 9 January.

Draft Capital Programme 2018-22

	2018/19 £,000	2019/20 £,000	2020/21 £,000	Total
Provision of Primary Places	12,390	19,120	TBC	31,510
Address structural changes to the pattern of education – 10+ retention	300	0	0	300
DDA Compliance / Schools Access / Safeguarding	200	200	TBC	400
SEND Programme	1,230	710	710	2,650
Strategic Capital Maintenance (Est)	2,500	2,300	2,000	6,800
Sub Total	16,620	22,330	2,710	41,660
Schools Devolved Formula Capital (Est)	700	600	500	1,800
Total	17,320	22,930	3,210	43,460

40. 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.
41. Anticipated S106 contributions have been included in the capital programme for 2018/19 and 2019/20 and based upon expected developer build rates and the number of additional pupils expected within those developments and as such may be subject to change.

42. The programme is largely focused upon the need to provide additional primary school places based on the assessed need through the annual school capacity assessment which also provides the basis for the Basic Need capital grant. It is estimated that 2,500 additional places will be delivered over the MTFS period, the location and number of the additional places can only be confirmed following the confirmation of school admissions.

2018/19 Capital Programme

Schemes are focused on the need to develop additional primary school places. Significant schemes include primary provision in the Barwell area at Burbage Sketchley Hill, Shepshed Newcroft and a contingency for funding to address any unforeseen issues arising from September 18 admissions data.

Provision is also made for the completion of works in the Oadby area from the change in the 10+ pattern of education, provisions for capital works to support the schools developing enhanced resource bases for children with autism.

The programme also allocates the first tranche of the capital grant for SEND initiatives, the use of this funding will be confirmed following approval of the SEND strategy and after consultation with schools and parents.

2019/20 Capital Programme

The programme for 2019/20 is subject to change as the pattern of future admissions becomes known but also in respect of S106 schemes which are subject to sufficient housing growth to generate the additional pupils but also in regard to developments triggering payment. Schemes will remain focused upon the provision of additional primary school places which will be delivered from the Basic Need grant and from specific s106 schemes including a potential new school at Ashby and major developments at Hugglescote.

The programme also includes the second tranche of the SEND Initiatives capital, schemes will be defined in line with the SEND strategy.

Background Papers

Cabinet 12 December 2017 – Medium Term Financial Strategy 2018/19 to 2021/22
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4866&Ver=4>

Circulation under local issues alert procedure

None.

Officers to Contact

Paul Meredith, Director of Children and Family Services
 Tel: 0116 305 7441
 E-mail paul.meredith@leics.gov.uk

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

Jenny Lawrence, Finance Business Partner, Corporate Resources Department
Tel: 0116 305 6401
E-mail: jenny.lawrence@leics.gov.uk

Appendices

Appendix A – Revenue Budget 2018/19
Appendix B – Growth and Savings
Appendix C – Capital Programme 2018/19 – 2021/22

Equality and Human Rights Implications

43. 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.
44. 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.
45. 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.

This page is intentionally left blank