



SCHOOLS FORUM

12 FEBRUARY 2020

2020/21 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
Actions arising from the recommendations in this report are for all Schools Forum Members			

Purpose of the Report

1. The purpose of this report is to present the 2020/21 Dedicated Schools Grant Settlement for Leicestershire and the 2020/21 Schools Budget.
2. This report builds upon a number of reports presented through the 2019/20 financial year.

Recommendations

3. That Schools Forum approves the retention of the budget to fund future school growth (paragraph 14, Item 2)

4. That Schools Forum approve the retention of budgets to meet the prescribed statutory duties of the local authority and to meet historic costs (Paragraph 14, Items 3 & 4)
5. That Schools Forum approve the centrally retained early years funding of (Paragraph 14, Item 5)
6. That Schools Forum notes the number and average cost of commissioned places for children and young people with High Needs (Paragraph 23)
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 (Paragraphs 55 - 57)
8. That Schools Forum note the average per pupil funding to be taken into account for recoupment for excluded pupils and other purposes (Paragraph 58)
9. That Schools Forum note the payment rates for the Early Years Funding formula (Paragraph 62)

Background

10. This report builds upon those presented to Schools Forum during 2019 and sets out the local authority's Schools Budget for 2020/21.
11. 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.
12. There is no change to the basic structure of DSG for 2020/21 and remains divided into four separate funding blocks;
 - Schools Block – funds delegated budgets for maintained schools and academies and school growth.
 - The Central Services Block – funds historic costs and other prescribed local authority areas of expenditure including the local authorities statutory duties for all schools previously funded through the Education Services Grant.
 - Early Years – funds the free entitlement to early education for disadvantaged 2 year olds and 3 & 4 year olds, including the 30 hours of provision for eligible parents and a maximum of 3% of the total cost of 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 Secondary Education

Inclusion Partnerships, Children with Medical Needs and specialist teaching services

13. The 2020/21 Children and Family Services Budget was considered by the Children and Family Services Overview and Scrutiny Committee on 21 January 2020 , by the Cabinet on 5 February 2019, budget proposals will be considered by the County Council on 19 February 2020 and is shown as Appendix A.

Role of the Schools Forum in setting the 2020/21 Schools Budget

14. The Central School Services Block holds the retained budgets for a number of areas of expenditure centrally retained by the local authority through provisions contained within the School and Early Years Finance (England) Regulations, these budgets are subject to restrictions and some are subject to some decisions for the Schools Forum.
15. The purpose and scope of these budgets is detailed below;

<u>Item</u>	<u>Approval For</u>	<u>Action</u>
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 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 30 September 2019 A revenue budget to meet the cost arising from commissioning additional school places required to meet the basic need for sufficient school places was established in 2019/20. The proposed budget is £3.1m (2019/20 £1.7m)
3.	Funding for the local authority in order to meet prescribed statutory duties placed upon it. This funding now includes funding for local authority statutory duties for all schools previously funded through the retained duties element of ESG	The budgets falling into this category are; <ul style="list-style-type: none"> • Servicing the Schools Forum £8,750 (2019/20 £8,570), this budget meets the cost of operating the Schools Forum. It appears on the Admin and Committees line on the budget statement

		<ul style="list-style-type: none"> Admissions £329,375 (2019/20 £329,375). This meets the local authority's statutory responsibilities for admissions and is funded from the Schools Block. This appears on the Education Sufficiency line of the budget statement <p>Local Authority Statutory / Regulatory Duties, Asset Management and Central Support Services £1.435m. This largely consists of recharges from services outside the Children and Families Department that support budgets funded from DSG such as finance, ICT, property.</p>
4.	Funding for historic costs met by the local authority. Following the baselining exercise undertaken to determine the 2017/18 DSG baselines the Department for Education have set out their expectation that these costs should unwind over time and that funding released should be recycled to school budgets. This may be the case for the element relating to schools causing concern but no funding will be released from premature retirement for significant periods of time given that the local authority remains supporting such costs arising from pre 1997	<ul style="list-style-type: none"> Premature Retirement Costs £674,900 (2019/20 £674,900), these are historic costs relating to school staff where the commitment remains with the local authority and relates to both maintained schools and academies. This appears on the Human Resources line of the budget statement Miscellaneous £223,750 (2019/20 £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. This appears on the 5-19 Learning line of the budget statement
5.	Funding for central early years expenditure, which includes funding for checking eligibility of pupils for an early years place in addition to the local authorities statutory	Schools Forum are asked to approve expenditure of £1.658m (2019/20 £1.675m)

	responsibilities in this area. Centrally retained funding must not exceed 5% of the Early Years DSG	
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16. In previous years Schools Forum approval has been required to carry forward a deficit on the Schools Block to be met from the following years budget, this requirement has been removed by the Department for Education. Local authorities are now required to carry any deficit forward and may also only contribute local resources to the Schools Budget with the permission of the Secretary of State. The latter of these changes effectively prohibits local authorities from contributing to DSG and to fund any DSG deficit
17. 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 which are all incurred as a result of the local authority's role in schools. Retention of these budgets is consistent with that of previous years.
18. A further budget for school copyright is held centrally under provisions within the School and Early Years Finance (England) Regulations. This funds copyright licences within 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 2020/21 cost for Leicestershire is confirmed at £509,100.

Dedicated Schools Grant

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

Funding Block	Areas Funded	Basis for Settlement
Schools Block £417.9m consisting of; <ul style="list-style-type: none"> • School formula funding £414.8m • School Growth £3.1m 	Individual budgets for maintained schools and academies. Growth funding for the revenue costs of delivering additional mainstream school places and to meet the local authorities duty to ensure a sufficient number of school places. DSG is notionally allocated to Leicestershire for all	2020/21 continues the movement towards a National Funding Formula (NFF) for schools which attributes units of funding to pupil characteristics. The grant settlement is based on; <ul style="list-style-type: none"> • the aggregate of pupil led characteristics for each individual school • an allocation for school led factors based on

	<p>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>2019/20 expenditure.</p> <p>These allocations are fully delegated to schools unless a transfer from the schools block to high needs is actioned.</p> <p>The NFF means that all local authorities receive the same amount of funding for a number of pupil related characteristics. Difference in funding levels relate to the incidence of pupil characteristics rather than differing funding levels</p> <p>The allocation of funding for to support new school growth will be retained to meet the future costs of new and expanding schools.</p> <p>In respect of school formula funding this represents a cash increase of 6%, for growth this is an increase of 29%</p>
<p>Central School Services Block £3.261m</p>	<p>This funds historic financial commitments related to schools such as premature retirement costs, some budgets related to schools that are centrally retained e.g. admissions, servicing the Schools Forum and school copyright licences. This block now includes funding from the retained duties element of the former Education Services Grant for the responsibilities that local authorities have for all pupils such as school place planning and asset management.</p>	<p>This is distributed through a per pupil allocation basis and is retained by the local authority.</p> <p>The funding allocation for some historic financial commitments is being reduced nationally from 2020/21 as the DfE have an expectation that these financial commitments will naturally expire. However, this element of funding meets the cost of historic premature retirement costs for teaching staff that will remain. This will be a financial pressure for the medium term as this funding</p>

		<p>is phased out but commitments retained.</p> <p>Overall this is a decrease of 4% over the 2019/20 baseline.</p>
<p>High Needs Block</p> <p>Est £74.8m</p>	<p>Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and support services for high needs pupils including high needs students in further education provision.</p> <p>As with the Schools Block this includes funding for special academies and post 16 providers which is recouped by the ESFA who then directly fund academies.</p> <p>Confirmation of the 2020/21 grant is not expected until March 2020.</p>	<p>The formula is based upon population of 0 -19 year olds and proxy indicators for additional educational need including deprivation, ill health, disability and low attainment.</p> <p>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 £2.1m through this element, this funding is not guaranteed in the medium term.</p> <p>The grant allocation includes the additional funding announced by the DfE in September 2019 and is an increase of 8% from the 2019/20 baseline</p>
<p>Early Years Est £35.5m</p>	<p>Funds the Free Entitlement to Early Education (FEEE) for 2, 3 and 4 year olds and an element of the early learning and childcare service.</p> <p>The grant is based on the universal hourly base rate plus additional needs measured with reference to free school meals, disability living allowance and english as an additional language.</p>	<p>The allocation is based on individual pupil characteristics and converted to a rate per hour of participation.</p> <p>Leicestershire receives the lowest rate of £4.38 per hour for 3 and 4 year olds and the lowest rate of £5.28 per hour for disadvantaged 2 year olds.</p> <p>This position is an increase of funding of £0.08 per hour on each rate, +1.8% for 3 &</p>

	The initial settlement is based on the October 2019 census, the grant will be updated in July 2020 for the January census and again in June 2021 for the January 2021 census. The final grant will not be confirmed until June 2021.	4 year old funding and +1.5% for 2 year old funding from the 2019/20 baseline
£531.461m	2020/21 Estimated DSG	

20. The Council's 2020/21 Medium Term Financial Strategy (MTFS) continues to set the overall Schools Budget as a net nil budget at local authority level. However, in 2020/21 there is a further estimated annual funding gap of £11m which will be an overspend against the grant. For deficits that exceed 1% of DSG local authorities are required to submit a recovery plan to the Department for Education (DfE), it is expected that a submission will be required for each year of the MTFS.

Schools Block

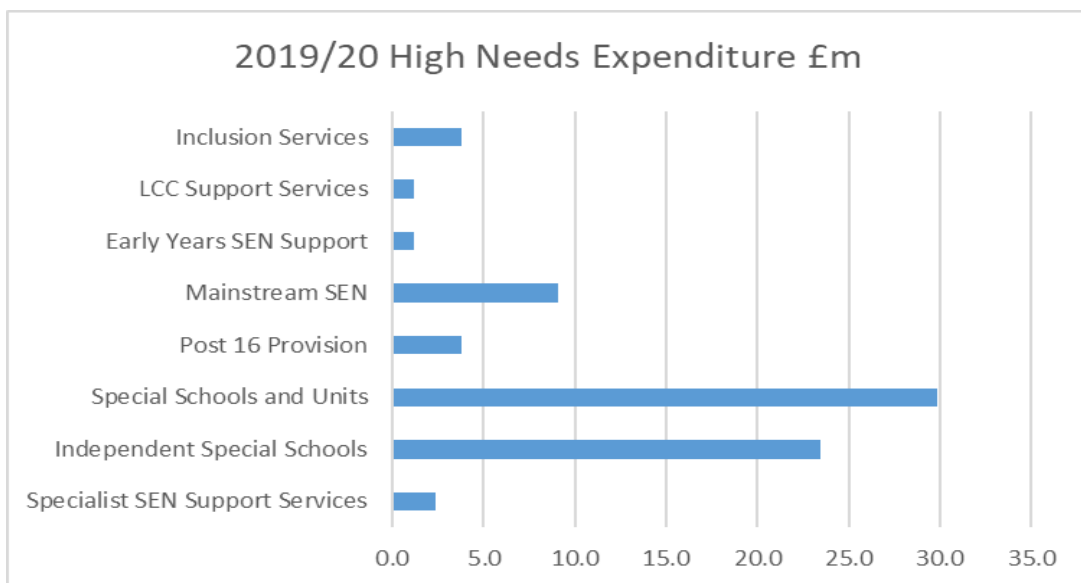
21. 2020/21 sees a further movement towards the National Funding Formula (NFF), this funds all pupils at the same rate irrespective of the authority in which they are educated. The NFF uses pupil characteristics each with a nationally set funding rate to generate school level funding to local authorities. Within the NFF only the per pupil entitlement is universal to all, other factors reflect the incidence of additional needs such as deprivation and low prior attainment. Funding levels between local authorities and individual schools within those local authorities, vary purely as a result of pupil characteristics rather than national funding levels. Where local authorities have adopted the NFF as their school funding formula schools with the same pupil numbers and pupil characteristics will receive the same budget.
22. School funding remains a 'soft' school funding formula for 2020/21. A 'soft' formula is where NFF calculates notional school allocations based upon pupil characteristics to generate the grant allocation, local authorities then apply their own local funding formula to generate individual school budgets. The Department for Education (DfE) have confirmed their intention to move to a 'hard' formula as soon as possible where every school budget will be set on the basis of a single, national formula. They have not given any timescale for implementation. The proposed Leicestershire school funding formula continues to reflect the NFF. For 2020/21 it is proposed to add two additional funding factors to reflect sparsity and mobility.

High Needs

23. Local authorities are required to submit to the ESFA annually in November the number and location of special school places it wishes to commission for the following academic year, this informs the final DSG allocation and academy

budgets. The number of High Needs places commissioned from DSG and their average unit costs are shown at Appendix C. Costs at individual school and unit reflects the needs of pupil at that provision, as such there is a significant variation between, and within, groups of providers. These places are the minimum the local authority will commission, additional places where and if required are fully funded from the high needs block.

24. The escalating cost of providing SEND services is one of the main financial pressures impacting local government nationally. This is reflected in the County Council's draft MTFs, presented to Cabinet in December, where expenditure was forecast to exceed the available grant by £6m in 2020/21, resulting in a cumulative deficit of £13m by 2021/22. The following table sets out 2019/20 high needs expenditure for information;



25. Following confirmation of pupil destinations for the 2019/20 academic year demand for packages to support pupils was found to have increased. Additionally, unit costs for placements at special schools and mainstream have increased. Through the High Needs Development Plan an additional 90 places were made available. However, this additional local capacity has simply met the increase in overall demand and not allowed the use of independent provision to reduce. The additional capacity still has a positive cost avoidance impact of £2.2m, as otherwise pupils would have required independent special school placements.
26. For 2020/21 it is estimated that the funding gap will be £11m, assuming that current demand trends continue. The cumulative deficit, incorporating the £3m 2019/20 additional expenditure, is expected to total £19m at the end of 2020/21. A forecast is currently being developed for future years and the financial deficit is expected to continue increasing.
27. The Department are investigating a number of actions that could over the course of the MTFs reduce demand and therefore the overall deficit.

28. Government announced in September 2019 that additional High Needs funding of £700m would be available to local authorities, this equated to £5.5m for Leicestershire. It is anticipated that this funding will continue and the DfE has indicated that the future high-level funding increases that were also announced will include high needs increases.
29. The provisional High Needs DSG is £74.8m. This will be updated in June 2020 for the most recent data. The formula allocates funding across a set of pupil-related indicators and also includes an allocation based on historic spend. For 2020 Leicestershire receives the minimum guaranteed increase of 8% per pupil with the formula retaining £2.3m of protection funding, which is not guaranteed in the long term.
30. The High Needs Development Plan is the Council's approach to planning, commissioning and delivering SEND services focused on three key areas:
 - To develop and embed an inclusive approach to practice amongst schools, LA staff and other settings;
 - The modernisation of SEN Services through improved commissioning, processes, decision making and quality assurance;
 - The development of a range of cost effective, high quality local provision.
31. The project is taking a holistic view of the whole SEN system. It is now fully staffed and mobilised.
32. Leicestershire continues to invest in developing additional specialist provision to reduce costs. The 2020/21 Medium Term Financial Strategy (MTFS) continues that approach and includes a proposed capital programme of £17.8m and recognises that a further £10m may be required for an additional special school in the future. Whilst the DfE provides local authorities with funding to meet basic need increases in mainstream schools, no funding is available to meet the opening costs and diseconomies of scale for expanding specialist provision. The estimated revenue cost of bringing the new provision to capacity is £6.3m. This adds to the High Needs deficit.
33. The savings built into the High Needs Development Plan are delivered by increasing local capacity to reduce the use of more costly independent provision and reducing overall demand, these are at risk should demand continue to increase.
34. Local authorities can transfer a maximum of 0.5% of funding from the Schools Block to High Needs following consultation with schools and approval from the Schools Forum. Transfers in excess of 0.5% can be undertaken but require the permission of the Secretary of State, as can approval of the 0.5% should Schools Forum not approve a transfer. A transfer would have yielded c£2m which would reduce the high needs deficit.
35. Consultation was undertaken with schools in October on a transfer from the schools block to high needs. 103 schools responded to the consultation with 84% disagreeing with the proposal. Schools Forum considered the proposal at its meeting on 6 November 2019 and unanimously rejected the proposal.

Cabinet on 22 November 2019 resolved not to pursue a transfer for 2020/21 but noted that should the high needs block deficit continue to increase, it may be necessary to consider further measures, including the transfer of funding, in future years.

36. A DSG deficit has been able to be carried forward to the following year with the approval of the Schools Forum. However, the DfE have recently removed the need for Schools Forum approval to carry forward of a deficit and prohibiting local authorities from contributing to DSG without the approval of the Secretary of State. Whilst the DfE view is that this change would remove concerns raised by auditors it will require local authorities will be required to set aside revenue funding to offset the liability. This will require expenditure reductions in other areas of the local authority.

Central Services Block

37. The central services block funds a number of school related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs.
38. The DfE have stated that their expectation is that over a period of time historic costs should 'unwind', as commitments reduce, for example a reduction in pensioners. To reflect that grant allocations have been reduced for 2020/21, for Leicestershire the reduction is £0.13m. This element of the grant meets costs such as previous commitments for premature retirement costs and school improvement. The reduction can be partially offset against other grant funding in the short term but does create a financial pressure that will increase as further reductions are implemented. The 2020/21 settlement is £3.2m, a decrease of 4.1%.

Early Years Block

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

School Funding Formula

40. Nationally schools will receive a minimum per pupil increase in funding of 1.84% per pupil with no capping on increases. Whilst there is no timescale for the implementation of the 'hard' formula for 2020 the minimum per pupil funding levels of £3,750 for primary and £5,000 for secondary have been made mandatory which is a further step toward the DfE's intention. Despite the overall increase in budget, a number of schools remain on the funding floor with an increase of 1.84% per pupil. These schools, despite additional funding, will experience a real terms decrease in income. As the funding guarantee is at

pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.

41. 2020/21 is the third year of implementation of the National Funding Formula (NFF) and is the first year funding gains have not been capped. Therefore, schools above the minimum funding increase receive the full NFF. The DfE do not reissue the per school funding tables for the updated 2019 school census, however the 2018 census data illustrates the impact of the NFF for Leicestershire schools:

	Primary		Secondary	
	No	%	No	%
Schools at Funding Floor +1.84% per pupil	70	34%	1	2%
Schools with Increase up to 5% per pupil	54	26%	34	74%
Schools with Increase between 5% - 7% per pupil	24	16%	10	22%
School with Increase above 7% per pupil	20	24%	1	2%
Range of Gains – Primary per pupil	1.84% - 10.13%			
Range of Gains – Secondary per pupil			1.84% - 8.6%	

42. The funding formula relates only to mainstream schools and academies, no such funding increases have been delivered within the High Needs DSG and as such there are no funding increases for specialist provision.
43. The 2018/19 and 2019/20 school funding formula was agreed by Cabinet on 9 January 2018 which largely mirrored the NFF. Consultation was undertaken with schools in October on the introduction of two additional factors;
- Sparsity - this was originally omitted from the Leicestershire formula as its impact was minimal. 50% of the 102 schools that responded to this element of the consultation agreed with its inclusion. It is proposed that this is included in the 2020/21 formula.
 - Pupil Mobility – this is a new element in the Leicestershire funding allocation for 2020/21. 61% of the 101 schools that responded to this element of the consultation agreed with its inclusion. It is proposed that this is included in the 2020/21 formula.

Schools Forum considered the changes at its meeting of 6 November 2019 and supported their inclusion in the 2020/21 school funding formula. The introduction of these two factors will ensure that the Leicestershire formula fully reflects the NFF. All other factors remain unchanged and fully reflect the DfE funding values for 2020/21. Cabinet will consider the change at its meeting of 7 February.

44. The data used to determine the number of pupils with Low Prior Attainment (LPA) for primary schools is based upon the Early Years Foundation Stage Profile (EYFS) and are those pupils are defined as those who did not reach the expected level of development at EYFS. The new EYFS system was first introduced in the academic year 2012 to 2013. The first cohort to take the new test resulted in the proportion of pupils attaining the expected level of development being lower nationally than in succeeding cohorts, hence the number defined as having LPA was higher. This first cohort passed into secondary school in autumn 2019, so the 2020-21 data is the first year that did not include this early cohort with its higher LPA rates. The number of primary pupils attracting LPA funding has therefore fallen, whilst this may result in LPA funding being lower than in previous years, the minimum per pupil funding levels and the minimum gain per pupil of 1.84% restricts any overall decrease in funding.
45. The Leicestershire formula fully meets the NFF values and was submitted to the ESFA on January 19 in accordance with their deadline, validation checks will be undertaken by the ESFA who will confirm that it meets the requirement of the regulations after which it will be possible to issue budgets to maintained schools and the ESFA will issue budgets to academies. The funding formula showing the unit rates and the total funding allocated by them is shown as Appendix C.
46. There is no transfer of funding from the Schools Block to High Needs. Leicestershire is one of just a few local authorities not to do so since the introduction of the NFF in 2018/19 in 2018/19 or 2019/20. Should high needs cost continue to increase a transfer cannot be ruled out in future years.
47. Grants for universal infant free school meals and PE & Sport have not been confirmed, it is expected that these will continue as for 2019/20. Schools will be notified at such time information is received.

Funding School Growth

48. Within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places For 2020/21 the grant is confirmed as £3.1m for its two distinct elements;
- a) Explicit i.e. funding to be given to schools increasing as a result of the basic need for school places; and,
 - b) Implicit i.e. the cost of protection and pupil number adjustments as a result of age range changes.
49. The revenue cost of commissioning a new school ranges from £0.5m to £0.8m for a primary and £2.2m to £2.5m for a secondary, depending upon size and opening arrangements. 26 new primary and 3 new secondary schools are expected to be built in Leicestershire in the medium to long term. The revenue requirement for new schools is difficult to assess as it is dependent upon the speed of housing developments, growth in the basic need for additional school

places, the school funding formula and the level and the methodology for the DSG growth funding calculation. However, early estimates suggest the cost can be managed within the existing grant. Expenditure is expected to rise annually from 2021/22 and to peak at £5m in 2023/24, annual underspends in growth funding will be set aside in the DSG Earmarked Fund to meet this peak. This position will be closely monitored.

50. Schools Forum agreed a revised Growth Policy at its meeting of 30 September 2019 which establishes a link to the additional school places delivered through the capital programme, the increased cost base as a result of expansion in schools prior to mainstream funding being generated, the timing of growth as well as affordability.
51. It should be noted that the growth fund relates exclusively to mainstream schools and cannot be used to support new SEND provision without a transfer from the schools to high needs block, the cost of commissioning new SEND provision falls to be met from the high needs block.

Dedicated Schools Grant Reserve

52. It is forecast that the DSG reserve will move to deficit at 31 March 2020 as a result of the continues and increasing overspend on high needs

	£,000	Narrative
DSG Reserve 1/4/20	-1,708	Confirmed reserve at close of the 2017/18 financial year
Reserve Utilised 2019/20		
Schools Block Underspend	-2,111	Underspend in growth funding carried forward to meet future commitments
Early Years Block Underspend	-42	Underspend in FEEE, carried forward
High Needs overspend	7,784	Annual funding gap carried forward
DSG Reserve	3,923	Deficit carried forward to be met from future years DSG

53. The DSG reserve aggregates the school block underspend and the high needs overspend. Whilst these are aggregated for reporting purposes they are managed separately i.e. growth funding will increase to meet future needs and the high needs deficit will increase until the high needs development plan establishes sustainability. The reserve is also the only funding source to meet any deficits reverting to the authority from mainstream school conversion to sponsored academy arrangements and for the current mechanism for funding protection for the fall in pupils in the first year of age range changes.
54. It is estimated that the DSG reserve will reach a £19m deficit in 2020/21.

Notional SEN Budget

55. The Notional SEN budget is an identified amount of funding within a schools overall budget that is to contribute to the special educational provision of children with SEN or disabilities and is to guide schools in the allocation of

resources to meet additional needs of pupils. In terms of high needs the funding system sets out that element 2 funding is met from the notional SEN budget. The basis of the calculation is locally defined and is unchanged for 2020/21, the calculation reflects the nature of the pupils at individual schools from the proxy indicators deemed to correlate to the expected incidence of SEN rather than indicators that are the result of an identified SEN needs through, for example, the number of EHCP's within the school. The proportions and funding factors it relate to are detailed out in the following table, the calculation is individual to each school and therefore the proportion of the overall school budget will vary:

Funding Factor	2020/21 % to Notional SEN
Age Weighted Pupil Unit	4%
Prior Attainment	50%
IDACI	67%
Total Notional SEN Budget Contained within the Funding Formula	£33.1m

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56. 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 December 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 in February. Schools should, within their management processes, consider how their SEN notional budget is deployed to support pupils within the mainstream school environment.
57. The process above is unchanged from previous years. The Department is at the early stages of formulating an approach to funding pupils with SEN in mainstream and special schools as well as SEN units. This process will also consider whether alternative methods of funding would better reflect schools with disproportionately high numbers of SEN pupils

Excluded Pupils

58. The arrangements for reclaiming funding from schools excluding pupils no longer solely refer to the deduction being based upon the age weighted pupil unit and refers to the 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 2019.

School Phase	Annual Rate £	Daily Rate £
Primary	3,362.80	17.70
Key Stage 3	4,729.34	24.89

Key Stage 4	5,368.47	28.26
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59. These rates will also be applied to the funding adjustments made in relation to dual registered pupils at Oakfield, the charges levied for the education of children with medical needs and will be recommended to the Secondary Education Inclusion Partnerships.

Pupil Premium

60. The DfE have announced increased Pupil Premium rates for 2020/21:

	2020/21 per Pupil	2019/20 per Pupil	Increase per Pupil
Primary Free School Meals	£1,345	£1,320	£25
Secondary Free School Meals	£955	£935	£20
Looked After and Previously Looked After Children	£2,345	£2,300	£45
Service Premium	£310	£300	£10

61. The allocations are passported intact by the local authority to maintained schools for eligible pupils on the school roll but are retained by the local authority for looked after children which is allocated by the Head of the Virtual School, academies receive funding directly from the ESFA.

2020/21 Early Years Provider Budgets

62. Early year provider funding rates are set out below, the base rate has increased by £0.07 per hour as a result of the national increase of funding.

3 and 4 Year olds	Per Hour
Base Rate	£4.10
Deprivation top-up	£0.04 to £0.08
Special Needs top-up	£6.99

2 Year olds	Per Hour
2 Year Old Base Rate	£5.00
2 Year Old Special Needs top-up	£6.99

The Local Authority Budget

63. Council will consider the local authority's budget at its meeting in March. For the four year MTFS period 2020/21 – 2023/24 there is a requirement for savings of £80m. To meet this requirement all savings set out in the MTFS need to be fully delivered and further savings of £39m need to be identified. This excludes the savings required to ensure that High Needs expenditure is brought into alignment with the grant
64. 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 2020/21 to 2023/24 are summarised below. The significant challenge within this section of the budget continues to be the growth in the number and cost of social care placements and the staff required to support both services for both looked after children and vulnerable children and their families. The budget makes provision for continued increase in numbers of looked after children but also a savings target to reduce the average unit cost of placements. The department, through the Children's Innovation Partnership, is investigating options for new service operating models in order to mitigate growth and deliver savings;

References	<u>GROWTH</u>	2020/21	2021/22	2022/23	2023/24	
		£000	£000	£000	£000	
* items unchanged from previous Medium Term Financial Strategy						
** items included in the previous Medium Term Financial Strategy which have been amended						
Demand & cost increases						
**	G1	Demographic growth- Social Care Placements	4,250	7,200	10,300	13,600
*	G2	Removal of time-limited growth - Supporting Leicestershire Families - transition to a new model when external funding ceases	-1,000	-1,000	-1,000	-1,000
*	G3	Special Education Needs Assessment Service - increased demand on service	135	135	135	135
	G4	Front-line social care staff - increased caseloads	2,400	3,380	4,360	5,340
	G5	Social Care market premia to support recruitment	600	620	640	660
	G6	Educational Psychology Service - increased demand	300	300	300	300
	G7	Loss of SEN Reform Grant	310	310	310	310
	G8	Pupil Referral Unit (PRU) Transport - increased demand	50	50	50	50
	G9	Unaccompanied Asylum Seekers - additional demand	750	1,000	1,250	1,500
		TOTAL	7,795	11,995	16,345	20,895

References	<u>SAVINGS</u>	2020/21	2021/22	2022/23	2023/24	
		£000	£000	£000	£000	
* items unchanged from previous Medium Term Financial Strategy						
** items included in the previous Medium Term Financial Strategy which have been amended						
Eff - Efficiency saving						
SR - Service reduction						
Inc - Income						
*	CF1 Eff	New Departmental Operating Model	-100	-100	-100	-100
**	CF2 Eff	Reduction in Social Care Placement costs	-1,500	-2,200	-2,900	-3,600
*	CF3 Eff/SR	Early Help Review	-250	-250	-250	-250
*	CF4 Eff	Review of staff absence	-75	-75	-75	-75
*	CF5 Inc	Academy conversion (reduced numbers)	0	30	30	30
		TOTAL	-1,925	-2,595	-3,295	-3,995

Capital Programme

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

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

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

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

SEND Provision Capital Grant – this grant was announced during 2017/18 by the DfE and in response to the introduction of the National Funding formula for High Needs to provide local authorities with capital to develop cost effective SEN provision.

Free School Bid

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

Draft Capital Programme 2020/21 – 2023/24

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

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

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

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

The programme also includes a total £9.8m investment in SEND provision to increase local provision through the development and expansion of SEN units and special schools to provide the infrastructure upon which the high needs development plan will be delivered. A total of £3.6m has been received through the SEN Provision Grant. The cost of SEN provision, excluding the DfE funded new SEMH school, delivered by the capital programme since 2019/20 is £17.3m the funding gap of £13.7m has been met from County Council resources.

Appendices

Appendix A – 2020/21 Children and Family Services Revenue Budget

Appendix B – Summary of Commissioned High Needs Places

Appendix C – 2020/21 School Funding Rates

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