



SCHOOLS FORUM

8 FEBRUARY 2021

2021/22 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

Purpose of the Report

1. The purpose of this report is to present the 2021/22 Dedicated Schools Grant Settlement for Leicestershire and the 2021/22 Schools Budget.
2. This report builds upon a number of reports presented through the 2021/22 financial year.

Recommendations

3. That Schools Forum approves the retention of the budget to fund future school growth (paragraph 17, 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 17, item 3)
5. That Schools Forum approve the centrally retained early years funding (Paragraph 17, item 3)
6. That Schools Forum notes the number and average cost of commissioned places for children and young people with High Needs (Paragraph 35)
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 60)
8. That Schools Forum note the average per pupil funding to be taken into account for recoupment for excluded pupils and other purposes (Paragraph 62)
9. That Schools Forum note the payment rates for the Early Years Funding formula (Paragraph 66)
10. That Schools Forum notes the formation of a Working Group to identify options for a Schools Block Transfer for 2022/23 and nominates a Member to be part of the Working Group (Paragraph 43)
11. That Schools Form requests Leicestershire Primary Heads (LPH), Leicestershire Secondary Heads (LSH) and Leicestershire Special School Heads (LSSH) each nominate a Headteacher and a Business Manager to be part of the Working Group on options for a 2022/23 Schools Block Transfer (Paragraph 43)

Background

12. This report builds upon those presented to Schools Forum during 2020 and sets out the local authority's Schools Budget for 2021/22.
13. 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. For 2021/22 the High Needs Block will continue to record a deficit which will be carried forward for recovery from future DSG in accordance with current legislation. 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.
14. There is no change to the basic structure of DSG for 2021/22 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

15. The 2021/22 Children and Family Services Budget was considered by the Children and Family Services Overview and Scrutiny Committee on 19 January 2021, by the Cabinet on 5 February 2021, budget proposals will be considered by the County Council on 17 February 2020 and is shown as Appendix A.

Role of the Schools Forum in setting the 2021/22 Schools Budget

16. 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.
17. The purpose and scope of these budgets is detailed below;

Item	Approval For	Action
1.	De-delegation from mainstream school budgets	No decision to be taken, no budgets are subject to de-delegation. De-delegation can only be in respect of 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. The proposed budget is £2.4m (2020/21 £3.1m)

3.	<p>Funding for the local authority in order to meet prescribed statutory duties placed upon it.</p> <p>This funding now includes funding for local authority statutory duties for all schools previously funded through the retained duties element of ESG</p>	<p>The budgets falling into this category are;</p> <ul style="list-style-type: none"> • Servicing the Schools Forum £8,750 (2020/21 £8,570), this budget meets the cost of operating the Schools Forum. It appears on the Admin and Committees line on the budget statement • Admissions £329,375 (2020/21 £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 £1.543m. 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.	<p>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</p>	<ul style="list-style-type: none"> • Premature Retirement Costs £674,900 (2020/21 £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 (2020/21 £223,750). 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 responsibilities in this area. Centrally retained funding must not exceed 5% of the Early Years DSG	Schools Forum are asked to approve expenditure of £1.75m (2020/21 £1.658m)

18. Local authorities are required to carry any DSG deficit forward for recovery against future years grant and may also only contribute local resources to the Schools Budget with the permission of the Secretary of State.
19. The DfE set out requirements in respect of any DSG deficit in September 2020. This includes the drafting of a management plan which should be regularly updated and presented to Schools Forum and other stakeholders. In Leicestershire this requirement is served by the High Needs Development Plan and updates are regularly presented to School Forum. There is no longer a requirement to submit this plan to the DfE, the DSG Conditions of Grant now place a duty on local authorities to co-operate with the DfE in handling any deficit and provide information as and when requested. The DfE may also place specific requirements on local authorities where the Secretary of State believes that there is insufficient action to address any deficit. This new process was introduced for the first time in 2020/21, it is unknown whether any local authorities have been asked for information and what if any actions have been taken by the DfE as a result.
20. It is expected that the DfE will be requiring information from local authorities with DSG deficits in excess of 5% of total DSG initially. The estimated deficit for Leicestershire in 2020/21 is 2% (High Needs Deficit is 3% but offset against funding retained for school growth).
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 which are all incurred as a result of the local authority's statutory role in schools. Retention of these budgets is consistent with that of previous years.
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 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 2021/22 cost for Leicestershire is confirmed at £513,000.

Dedicated Schools Grant

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

Funding Block	Areas Funded	Basis for Settlement
<p>Schools Block Est £455.2m consisting of;</p> <ul style="list-style-type: none"> • School formula funding £452.8m • School Growth £2.4m 	<p>Individual budgets for maintained schools and academies.</p> <p>Growth funding for the revenue costs of delivering additional mainstream school places and to meet the local authorities duty to ensure a sufficient number of school places.</p> <p>DSG is notionally allocated to Leicestershire for all maintained schools and academies. A locally agreed funding formula is applied to this to determine school budgets, for maintained schools these are allocated directly by the local authority, for academies the funding is recouped from the settlement by the Education and Skills Funding Agency (ESFA) who then directly fund academies.</p> <p>For 2021/22 the funding block now includes a transfer of funding for teacher pay and pension grants for maintained schools formerly funded through specific grant.</p>	<p>2021/22 continues the movement towards a National Funding Formula (NFF) for schools which attributes units of funding to pupil characteristics. The grant settlement is based on;</p> <ul style="list-style-type: none"> • the aggregate of pupil led characteristics for each individual school; • an allocation for school led factors. <p>These allocations will be fully delegated to schools.</p> <p>The NFF means that all local authorities receive the same amount of funding for a number of pupil related characteristics. Difference in funding levels between authorities relate to the incidence of pupil characteristics and the impact of funding protections within the NFF, the rates for pupil characteristics do not differ between authorities.</p> <p>The allocation of funding to support new school growth will be retained to meet the future costs of new and expanding schools. The grant is based number of</p>

		<p>new school places needed when comparing pupil forecasts to school capacity.</p> <p>In respect of school formula funding this represents a cash increase of 9.7% as a result of increased pupil numbers, pay and pension grant transfer and national 2021/22 minimum funding guarantees. Growth funding is estimated to remain at previous levels.</p>
<p>Central School Services Block £3.6m</p>	<p>This funds historic financial commitments related to schools such as premature retirement costs, some budgets related to schools that are centrally retained e.g. admissions, servicing the Schools Forum and school copyright licences. This block now includes funding from the retained duties element of the former Education Services Grant for the responsibilities that local authorities have for all pupils such as school place planning and asset management.</p> <p>For 2021/22 this funding block now includes a transfer of funding for teacher pay and pension grants for centrally employed teachers formerly funded through specific grant</p>	<p>This is distributed through a per pupil allocation basis and is retained by the local authority.</p> <p>The funding allocation for some historic financial commitments is being reduced nationally as the DfE have an expectation that these financial commitments will naturally expire. However, this element of funding meets the cost of historic premature retirement costs for teaching staff that will remain. This will be a financial pressure for the medium term as this funding is phased out but commitments retained.</p>
<p>High Needs Block Est £83.1m</p>	<p>Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and support services for high needs pupils including</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</p>

	<p>high needs students in further education provision.</p> <p>As with the Schools Block this includes funding for special academies and post 16 providers which is recouped by the ESFA who then directly fund academies.</p> <p>For 2021/22 this element of grant now includes a transfer of funding for teacher pay and pension grants for special schools formerly funded through specific grant.</p> <p>Confirmation of the 2021/22 grant is not expected until March 2021.</p>	<p>attainment. Also included is an element based on historic spend. The formula also includes a funding floor to ensure that local authorities do not receive a funding reduction as a result of the introduction of the formula. Leicestershire receives £1.5m through this element.</p> <p>The grant allocation includes the additional funding announced by the DfE in September 2019 and is an increase of 8% per head of population from the 2021/22 baseline.</p>
<p>Early Years Est £36.4m</p>	<p>Funds the Free Entitlement to Early Education (FEEE) for 2, 3 and 4 year olds and an element of the early learning and childcare service.</p> <p>The grant is based on the universal hourly base rate plus additional needs measured with reference to free school meals, disability living allowance and english as an additional language.</p> <p>The initial settlement is based on the October 2020 census. The grant will be updated in July 2021 for the January census and again in June 2022 for the January 2022 census. The final grant will not be confirmed until June 2022.</p>	<p>The allocation is based on individual pupil characteristics and converted to a rate per hour of participation. Leicestershire receives the lowest rate of £4.44 per hour for 3 and 4 year olds and the lowest rate of £5.36 per hour for disadvantaged 2 year olds.</p> <p>This position is an increase of funding of £0.08 per hour for 2 year old funding and £0.06 for 3 and 4 year old funding, +1.0% for 3 & 4 year old funding and +1.5% for 2 year old funding from the 2020/21 baseline.</p>

£578.3m	2021/22 Estimated DSG
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24. The 2021/22 MTFFS continues to set the overall Schools Budget as a net nil budget at local authority level. However, in 2021/22 there is a further funding gap of £5.6m on the High Needs Block which will be carried forward as an overspend to be offset against future grant in accordance with legislative requirements.

Schools Block

25. 2021/22 sees a further movement towards the National Funding Formula (NFF). This funds all pupils at the same rate irrespective of the authority in which they are educated. The NFF uses pupil characteristics each with a nationally set funding rate to generate school level funding to local authorities. Within the NFF only the per pupil entitlement is universal to all, other factors reflect the incidence of additional needs such as deprivation and low prior attainment. Funding levels between local authorities and individual schools within those local authorities continue to differ, however this is as a result of differing proportions of pupil characteristics rather than differences in local authority funding levels.
26. School funding remains a 'soft' school funding formula for 2021/22. A 'soft' formula is where NFF calculates notional school allocations based upon pupil characteristics to generate the grant allocation, local authorities then apply their own local funding formula to generate individual school budgets. The Department for Education (DfE) has confirmed its intention to move to a 'hard' formula as soon as possible where every school budget will be set on the basis of a single, national formula. A consultation is expected from the DfE in early 2021 on the next stage of transition to the NFF, it is expected that the proposals will consider how best to support small schools through a new approach linked to sparsity.
27. Within the Schools Block, but separate to funding for individual schools, local authorities receive funding for the initial revenue costs of commissioning additional primary and secondary school places. The allocation for 2020/21 was £3.3m and 2021/22 funding will reduce to £2.4m. The revenue cost of commissioning a new school ranges from £0.5m to £0.8m for a primary and £2.2m to £2.5m for a secondary, depending upon size and opening arrangements. 26 new primary and 3 new secondary schools are expected to be built in Leicestershire in the medium to long term. The timing of 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.

2021/22 School Funding Formula

28. Nationally schools will receive a minimum per pupil increase in funding of 2% per pupil with no capping on increases. Minimum per pupil funding levels are £4,180 for primary, £5,215 per KS3 pupil and £5,715 per KS4 pupil and are mandatory. These values include a transfer of funding into the NFF for funding for teachers' pay and pensions that was previously funded through specific grant. Despite the overall increase in budget, at individual schools there are 91 (40%) primary and 4 (9%) secondary schools funded at the funding floor. This is an increase from the 2020/21 position of 70 (32%) of primary schools and 1 (2%) of secondary schools. These schools, despite additional funding, will experience a real terms decrease in income. These schools can also be expected to fair least favourably from the implementation of a hard NFF without minimum funding increases. As the funding guarantee is at pupil level, schools with decreases in pupil numbers will see an overall decrease in their cash budget allocation. There is no change to the Leicestershire Funding Formula for 2021/22 and it continues to replicate the NFF.
29. The 2021/22 Schools Block DSG settlement is £455.2m. This includes a transfer of funding of £20.2m for the Teachers' Pay and Pensions Grant previously paid directly to schools but from 2021 will be included in the NFF. Within this block is also an allocation of £2.4m of growth funding allocated to meet the revenue costs of new and expanding schools.
30. The NFF for schools is based upon the 2020 School Census but funding for local authorities is based upon the pupil characteristics recorded on the 2019 school census. Nationally there has been concern that the number of pupils recorded in receipt of Free School Meals and pupils that trigger deprivation funding may have increased as a result of the Coronavirus Pandemic resulting in a funding gap for local authorities and the NFF being unaffordable. Whilst there were concerns in respect of the provisional data the final data identifies this not to be an issue and the NFF will be able to be fully delivered within the Schools Block DSG.
31. Nationally the DfE have adjusted the deprivation data within the NFF which has resulted in some turbulence at school level. Any reduced funding at individual school level will be mitigated by the Minimum per Pupil Funding Levels and / or the Minimum Funding guarantee. Concerns have been raised with the DfE about the impact of changing data within the NFF, schools are being encouraged to use more sophisticated methodologies to predict future income levels and such changes nationally make that exceptionally difficult to do.
32. A concern was raised through the Leicestershire Education Excellence Partnership (LEEP) of any impact on financial planning at individual primary school level arising from delayed nursery admissions as a result of the Covid 19 Pandemic. In such instances, and subject to affordability, local authorities are able to adjust pupil numbers to mitigate this. Data submitted to the local authority by schools identified 2 affected schools (3 pupils), as such no pupil number adjustments have been made. Pupil number adjustments do remain in place for schools undertaking or affected by age range changes.

High Needs

33. 2021/22 is the second year of a three-year settlement for school funding and nationally high needs funding has increased by £730m (10%). Local authorities have a guaranteed minimum increase of 8% per head of population and are capped at a 12% increase. Leicestershire remains on the funding floor and receives the minimum increase of 8%. The settlement includes £1.5m of protection funding which is not guaranteed in the long term.
34. The provisional High Needs DSG is £83.1m and includes a transfer of funding in respect of former teacher pay and pension grants for special schools which will be paid directly to them for 2021/22. The settlement will be updated in June 2021 for the most recent data. The formula allocates funding across a set of pupil-related indicators and also includes an allocation based on historic spend.
35. Local authorities are required to submit a return to the DfE annually in November setting out the number of specialist places to be commissioned for the following academic year. The number of commissioned places and average unit costs as per the November return are set out in Appendix B. The number of places is the minimum to be commissioned, - the number of places and average cost may change as pupil need and numbers change during the year.
36. The High Needs Development Plan remains the Council's approach to planning, commissioning & delivering SEND services and to address the high needs block deficit and continues to be focused on three key areas:
- To develop and embed an inclusive approach to practice amongst schools, local authority staff and other settings;
 - The modernisation of SEN Services through improved commissioning, processes, decision-making and quality assurance;
 - The development of a range of cost-effective, high quality provision.
37. The High Needs Development Plan has been subject to an external independent review. This review has concluded that:
- The plan is comprehensive and well defined
 - The deficit and mitigating actions are clearly articulated
 - The actions are appropriate and targeted at areas where the impact will be maximised
 - The programme is effectively governed
38. The forecast position on the High Needs element of the DSG is shown below:

	2021/2	2022/2	2023/2	2024/2
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	2 £,000	3 £,000	4 £,000	5 £,000
High Needs Funding	-81,964	-81,964	-81,964	-81,964
Placement Costs	87,096	94,345	98,987	103,545
Other HNB Cost	8,708	8,708	8,708	8,708
Commissioning Cost - New Places	1,908	1,416	667	44
Project Costs	1,059	0	0	0
Total Expenditure	98,771	104,469	108,362	112,297
Funding Gap Pre Savings	16,807	22,505	26,398	30,333
Funding Changes	0	-6,544	-4,544	-4,544
Demand Savings	-4,447	-5,076	-5,577	-5,577
Benefit of Local Provision and Practice Improvements	-6,710	-11,017	-14,187	-15,695
Total Savings	-11,157	-22,637	-24,308	-25,816
Annual Revenue Funding Gap	5,650	-132	2,089	4,517
2019/20 Cumulative Deficit Brought Forward	7,062			
Estimated 2020/21 High Needs Deficit Brought Forward	10,011			
Cumulative Funding Gap / High Needs Deficit	22,723	22,591	24,680	29,197

39. National research sets out systematic problems with the SEND system that are responsible for high needs deficits. The research shows that deficits are growing within almost all local authorities in a deficit position or close to that position. Amongst a number of findings research commissioned by the Local Government Association reported that there are structural features of the SEND system which would lead to deficits even if budgets were significantly increased and that local authorities bear all the risk in this area but have no levers with which to influence demand and cost. The DfE have undertaken a review of the SEND system but it unclear when any findings from that research will be published and what impact they may have on the financial position.
40. Local authorities are now required to carry forward DSG deficits to following years grant and may only now contribute to DSG with the approval of the Secretary of State. Whilst this is the approach the DfE have encapsulated in legislation, it is not a sustainable or reasonable approach. Without the DfE addressing this through additional funding, local authorities will be required to set aside resources to offset the deficit. It is estimated that the cumulative High Needs deficit will increase to £22.7m in 2021/22 and to £29.2m over the period of the MTFs. This is a significant financial concern for the County Council and for many others nationally.

2022/23 Schools Block Transfer

41. Despite the successes delivered by the High Needs Development Plan the financial position is not significantly improving as both the new demand for EHCP's and the cost of the provision specified within them continues to grow. As a result the local authority has little option other to press for a schools block transfer.
42. It is expected that local authorities will remain able to transfer up to 0.5% of the Schools Block to The High Needs Block with the approval of School Forum and as such the High Needs financial plan includes a transfer from the Schools Block DSG to High Needs in 2022/23 of £2m.
43. Schools will be engaged in developing proposals for the transfer early in 2021. A working group consisting of a Headteacher and Business Manager from each school phase form a working group with local authority officers to begin this work early in the summer term.
44. The working group will need to consider how a transfer can best be achieved within the constraints of the national funding system. The mandatory nature of the Minimum Per Pupil Funding Levels (MPPFL) mean that any school funded at this minimum cannot see their funding reduced and it is only schools above this level that financially contribute to the transfer through reduced.
45. The proposed transfer for 2021/22 capped the amount schools above the MPPFL and were the schools subject to the highest gains from the introduction of the NFF and largely schools with the highest levels of deprivation and lowest prior pupil attainment funding resulting in it not being possible to evenly distribute the impact across all schools. This is the approach that most local authorities that have successfully achieved a schools block transfer have followed.
46. In formulating it's approach to meeting the financial pressures within the SEND system a joint letter was sent to the Chancellor and the Exchequer and the Secretary of State for Education setting out the SEND pressures in Leicestershire and that whilst a successful programme of work was underway and delivering considerable results the financial pressure remained significant. This letter sought the view of the DfE on whether there could be any dispensation to vary the MPPLS's within any proposal for a schools block transfer to achieve an even distribution and impact across all schools. The response was silent in this respect. The letter is shown at Appendix D and response at Appendix E.
47. Proposals for a equal 'top-slice' will need to be considered within the working group as it is possible to seek a disapplication of the MPPFL's from the Secretary of State, it's mandatory status however may result in any variation not being approved.

48. Arrangements for 2022/23 school funding are expected to be released in July 2021. This will confirm the national position in respect of any transfer, any constraints within the school funding system that may affect it and timescales for decisions and approvals. Until this information is received planning for transfer options will assume that the funding system remains as that for 2021/22.
49. Should Schools Forum not approve a transfer then permission may be sought from the Secretary of State. If approval cannot be secured the high needs financial position for 2022/23 will worsen by £2m in 2022/23 only.

Central Services Block

50. The central services block funds school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs and the settlement is £3.6m for 2021/22 and includes funding transferred in respect of the former teacher pay and pensions grant for teachers employed centrally across the County Council.
51. The settlement reduces the funding for historic commitments. This is being reduced by 20% but a guarantee is in place to ensure that funding doesn't decrease below the financial commitment to meet former teacher employment costs. This has resulted in a loss of £147k, but this has been offset by an increase in formula funding of £178k.

Early Years Block

52. Nationally early years funding has been increased by £66m. The grant remains determined by the number of children participating in early years education. The funding supports the 30 hours Free Entitlement to Early Education (FEEE) for eligible parents and continued delivery of the early years offer for disadvantaged two year olds. The increase in funding equates to £0.08 per hour (1.5%) for 2 year olds and £0.06 per hour (1%) for 3 and 4 year olds. Leicestershire continues to receive the lowest rate per hour at £5.36 per hour for 2 year olds and £4.44 per hour for 3 and 4 year olds. The maximum of 5% of the overall settlement is retained to fund the early learning service which fulfils local authority's statutory duty to ensure sufficiency of places for those parents that request one.

Funding School Growth

53. 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 £2.4m 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.
54. 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.
55. 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 and contributes to the overall deficit.
 - The growth fund cannot be used to meet the costs of general growth to popularity and / or general demographic growth not related to the basic need for additional school places. This is managed through lagged funding

Dedicated Schools Grant Reserve

56. It is forecast that the DSG reserve will remain in deficit for the period of the MTFS as a result of the continued and increasing overspend on high needs, this will partially be offset by the accumulation of funding allocated to the authority to meet the revenue costs of new and expanding schools which is set-aside for future year costs.
57. The estimated balance on DSG at 31 March 2021 is set out below:

	Schools Block £,000	High Needs Block £,000	Early Years Block £,000	Central Block £,000	Total £,000
Balance 1/4/20	3,168	(7,062)	(177)	20	(4,051)
2020/21 Movement	3,000	(10,011)	300	70	(6,641)
Estimated Balance 31/3/21	6,168	(17,073)	123	90	(10,692)

Note - Figures in brackets denote a deficit

Notional SEN Budget

58. The Notional SEN budget is an identified amount of funding within a schools overall delegated 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 national funding system sets out that element 2 funding is met from the notional SEN budget:

<p>£10,000</p> <p>Funded by local authority</p> <p>Funded by school from delegated budget</p>	<p>Paid by Local Authority for each occupied place - may be more than one funding authority</p>	<p>Total cost of provision specified in Statement of Special Educational Needs less £6,000</p> <p>High Cost, Low Incidence</p>	<p>E l e m e n t 3</p>	<p>Element 3 funding is provided by the Local Authority as Top-Up Funding and additional to the school delegated budget</p>
	<p>£6,000</p>	<p>First £6,000 of cost of provision specified in Statement of Special Educational Needs</p> <p>Low Cost, High Incidence</p>	<p>E l e m e n t 2</p>	<p>Element 2 funding is met through the Notional SEN Budget, this is an identified amount within the delegated budget with the amount set out as a note</p>
	<p>£4,000</p>	<p>Universal provision for all Pupils</p> <p>Universal</p>	<p>E l e m e n t 1</p>	<p>Element 1 funding is within the school delegated budget through pupil related factors including the Age Weighted Pupil Unit</p>

59. The calculation of the Notional SEN Budget is locally defined and is unchanged for 2020/21. The calculation captures the formula factors that 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 upon which the notional SEN budget are calculated 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	£34.3m

60. In accordance with the High Needs Operational Guidance the local authority will continue to assess schools where the notional SEN budget is insufficient to meet commitments to element 2 funding. This compares the aggregated

commitment to Element 2 costs and notional SEN budget in December. Where the notional budget is shown to be insufficient to meet commitments an additional payment will be made to schools. Schools should, within their management processes, consider how their SEN notional budget is fully deployed to support pupils within the mainstream school environment.

61. The process above is unchanged from previous years. The Department is at the early stages of formulating a new approach to funding pupils with SEN across schools. This work will also consider whether there are any alternative funding mechanisms are able to better reflect costs within schools with disproportionately high numbers of SEN pupils

Excluded Pupils

62. 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 2021.

School Phase	Annual Rate £	Daily Rate £
Primary	3,633.32	19.12
Key Stage 3	5,123.65	26.97
Key Stage 4	5,773.99	30.39

63. 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

64. Pupil Premium will remain at 2020/21 rates:

	2020/21 £ per Pupil
Primary Free School Meals	1,345
Secondary Free School Meals	955
Looked After and Previously Looked After Children	2,345
Service Premium	310

65. 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.

2021/22 Early Years Provider Budgets

66. Early year provider funding rates are set out below, the base rate has increased by £0.05 per hour for 3 and 4 year olds and by £0.07 per hour for 3 year olds as a result of the national increase of funding.

3 and 4 Year olds	Per Hour
Base Rate	£4.15
Deprivation top-up	£0.04 - £0.08
Special Needs top-up	£6.99

2 Year olds	Per Hour
2 Year Old Base Rate	£5.07
2 Year Old Special Needs top-up	£6.99

The Local Authority Budget

67. Council will consider the local authority's budget at its meeting on 5 February. For the four year MTFS period 2021/22 – 2024/25 for years 2 to 4 of the MTFS period funding gaps exit and by 2024/25 the gap is £36.3m. To meet this requirement all savings set out in the MTFS need to be fully delivered and further savings need to be identified. This excludes the savings required to ensure that High Needs expenditure is brought into alignment with the grant.
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 2021/22 – 2024/25 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 and the Defining Children's Services for the Future programme are investigating options for new service operating models in order to mitigate growth and deliver savings;

References	<u>GROWTH</u>	2021/22	2022/23	2023/24	2024/25
		£000	£000	£000	£000
	<u>CHILDREN & FAMILY SERVICES</u>				
	Demand & cost increases				
** G1	Demographic growth- Social Care Placements	6,300	9,600	13,400	17,200
** G2	Front-line social care staff - increased caseloads	3,030	3,685	4,520	4,935
** G3	Social Care market premia to support recruitment	20	40	60	80
** G4	Unaccompanied Asylum Seekers - additional demand	50	100	150	200
G5	School Place Planning	240	240	240	240
G6	Increased demand for legal costs	400	400	400	400
	TOTAL	10,040	14,065	18,770	23,055

References	<u>SAVINGS</u>	2021/22	2022/23	2023/24	2024/25
		£000	£000	£000	£000
	<u>CHILDREN & FAMILY SERVICES</u>				
	Defining CFS For the Future Programme				
** CF1	Eff Pathways	-1,200	-2,100	-3,600	-4,800
CF2	Eff Settings	-900	-2,900	-5,100	-8,100
CF3	Eff Disabled Children's Service Enablement	-100	-300	-300	-300
	<i>Total Defining CFS For the Future Programme</i>	<i>-2,200</i>	<i>-5,300</i>	<i>-9,000</i>	<i>-13,200</i>
CF4	Eff Children's Innovation Partnership -Assessment & Resource Team, Hub and Residential re-design	-50	-200	-350	-500
CF5	Eff Departmental Efficiency Savings	-1,500	-1,750	-2,000	-2,300
	TOTAL	-3,750	-7,250	-11,350	-16,000

Capital Programme

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

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

Provision of Additional School Places – the programme is funded through the Basic Need grant from the DfE and S106 developer contributions. For the latter it is assumed that the receipt will fully fund the scheme. The latter two years of the programme make provision for new schools fully funded by S106 funding at Hinckley, Thorpebury and Market Harborough. These schools are

included in their expected year of development however this is dependent on the speed of the related housing developments.

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

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

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

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

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

70. The majority of the capital programme is likely to be 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 £22.1m for the year 2021/22 has been confirmed but estimates of £7.5m have been included for the final three years of the programme. The grant reflects the overall place need across the County and for both maintained schools and academies. The grant meets the infrastructure costs of creating new places in primary and secondary schools. Eligible revenue costs fall to be met from the local authorities growth fund

funded from DSG for primary and secondary schools. No funding is received for the revenue and capital costs of additional places for SEND.

Strategic Maintenance Grant – is received from the DfE for the maintenance of maintained schools only. This grant is based on a formula that considers pupil numbers and the overall condition of the school estate. The grant reduces as schools convert to academies. £1.8bn was confirmed in the November 2020 Spending Review but individual local authority allocations are yet to be confirmed. An assumption of £2m per annum has been included in the MTFS.

S106 Contributions – it is estimated that a total of £29.6m of S106 contributions will be received to fund the proposed programme, £8.4m in 2021/22. Estimates for the latter two years of the MTFS are less certain and are dependent upon the speed of housing developments. It is estimated that the full costs of new schools required on new housing developments will be fully funded from S106 contributions.

SEND Provision Capital Grant – this grant was announced during 2017/18 by the DfE (and in response to the introduction of the National Funding formula for High Needs) to provide local authorities with capital to develop cost effective SEN provision and was expected to finish in 2020/21. Nothing has been included in the MTFS from and including 2021/22 however the November 2020 Spending did commit to further national capital expenditure totalling £300m for new school places for children with SEND, but no details have been released yet.

Free School Bid

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

Appendices

Appendix A – 2021/22 Children and Family Services Revenue Budget

Appendix B – Summary of Commissioned High Needs Places

Appendix C – 2021/22 School Funding Rates

Appendix D – Letter from the Lead Member for Resources and Lead Member for Children and Family Services to Chancellor of the Exchequer and Secretary of State for Education.

Appendix E – Letter from the Parliamentary Under-Secretary of State for Children and Families to the Lead Member for Resources and Lead Member for Children and Family Services.

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