



CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE
25 JANUARY 2022

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

MEDIUM TERM FINANCIAL STRATEGY 2022/23–2025/26

Purpose of Report

1. The purpose of this report is to:
 - a) Provide information on the proposed 2022/23 to 2025/26 Medium Term Financial Strategy (MTFS) as it relates to the Children and Family Services (CFS) Department;
 - b) Request members of the Committee to consider any issues as part of the consultation process and make any recommendations to the Scrutiny Commission and the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The MTFS is the financial plan that is updated annually to set out the resource intentions of each department and the Council overall. The current MTFS was approved by the County Council in February 2021. The draft MTFS for 2021/22–2024/25 was considered by the Cabinet on 14th December 2021.
3. The Children and Family Services Department is subject to a number of legislative duties to ensure the wellbeing and safeguarding of all children as comprised within the following:
 - The Children and Families Act 2014
 - The Care Act 2014
 - The Children Act
 - 'Working Together to Safeguard Children 2018' guidance.
4. Other relevant policies include:
 - Children and Family Services Departmental Plan 2020-2023;
 - Voice and Influence Strategy 2020-2023;
 - Children and Family Services – Quality Assurance and Improvement Framework (QAIF).

Background

5. The draft MTFS is set out in the report to the Cabinet on 14th December 2021, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Children and Family Services Department.

6. Reports such as this one is being presented to the relevant Overview and Scrutiny Committees. The Cabinet will consider the results of the scrutiny process on 31st January 2022 before recommending a MTFs, including a budget and capital programme for 2022/23 to the County Council on 11th February 2022.

Service Transformation

7. Demand for Children and Family Services continues to increase with growth of £25m projected as the requirement to meet CFS needs before intervention arising from demographic growth and an increased need for social care. The pandemic provided additional challenges and these are likely to be far-reaching as the effects have a cumulative impact on families, increasing the likelihood of family breakdown and the need for care services.
8. In response to these pressures, the department has embarked on a fundamental transformation over the last year working with consultants, Newton Europe and corporate colleagues on the Defining Children and Family Services for the Future programme (DCFSF) and through other partnerships like the Children's Innovation Partnership (CIP) with Barnado's. There is more to do but the department now has new tools and ways of working to respond to the ongoing pressures and continue to create a more efficient and effective service.
9. The four main programmes of work are encapsulated in the following :

High Needs Development Programme

A new approach to the delivery of the High Needs Development Plan is being developed supported by the Council's Transformation Unit and other corporate services along with harnessing the expertise provided by Newton Europe through a diagnostic analysis of the programme and its activities which commenced in January.

A whole system mapping exercise has been completed to identify the key aspects of the system that will lever the necessary changes based on two hypotheses considering the two significant variable:

- The number of funded placements in Leicestershire is too high
- The average cost of placements in Leicestershire is too high

The revised approach will ensure that all activities that contribute to addressing the above variables be brought in scope of the programme, providing transparency, accountability and prioritisation across all service developments so that the services efforts are aligned and focussed on activities that contribute the most financial benefit and enable effort to be focused on those with the most impact.

Defining Children and Family Services for the Future (DCFSF)

This programme commenced a year ago working intensively with consultants Newton Europe to develop and future-proof Children and Family Services so that the right interventions are delivered in the right way, at the right time, to ensure that children, young people and families achieve the best possible outcomes while also ensuring that

the service is financially sustainable going forwards. The focus has been on optimising practice, systems, culture, and operational delivery across the department.

The Children's Innovation Partnership (CIP)

In partnership with Barnardo's, alternative service delivery models are being designed culminating so far with an Assessment and Resource Team (ART), hub and assessment bed model and a residential build and conversion plan to improve the sufficiency and quality of residential provision.

Departmental Efficiencies

A programme of work to identify and deliver further efficiencies in the services and back office support functions that aren't in the scope of the other programmes. So far c£1m has been delivered up to and including 2021/22.

Proposed Revenue Budget

10. The table below summarises the proposed 2022/23 revenue budget and provisional budgets for the next four years. The proposed 2022/23 revenue budget is shown in detail in Appendix A.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Original prior year budget	89,086	90,536	92,921	96,986
Budget Transfers and Adjustments	-215	0	0	0
Sub total	88,871	90,536	92,921	96,896
Add proposed growth (Appendix B)	5,435	6,260	6,665	6,765
Less proposed savings (Appendix B)	-3,770	-3,875	-2,690	-4,165
Proposed/Provisional net budget	90,536	92,921	96,896	99,496

11. Detailed service budgets have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary.
12. The total gross proposed budget for 2022/23 is £703.1m including £482m Dedicated Schools Grant budget. The proposed net budget for 2022/23 totals £90.5m and is distributed as follows:

Net Budget 2022/2023	£000
Directorate	1,194
Safeguarding, Improvement and Quality Assurance	2,338
Children in Care	48,744
Field Social Work	15,045
Practice Excellence	342
Children and Families Wellbeing Service	8,278
Education Sufficiency	444
Education Quality and Inclusion	1,601
SEND and Children with Disabilities	6,646
Business Support and Commissioning	4,455
Department Total	90,536

Other Changes and Transfers

13. Net budget reductions totalling £0.2m were made during the 2021/22 financial year and are now adjusted for in the updated original budget. These transfers comprise :
- £196k+ inflationary increases primarily for foster carer payment rates and the Disabled Children’s Service.
 - (£282k) transfer of budget for the Occupational therapy service from CFS to A&C
 - (£188k) of centralised budgets relating to the Ways of Working programme

14. Growth and savings have been categorised in the appendices under the following classification:

*	item unchanged from previous MTFs;
**	item included in the previous MTFs, but amendments have been made;
No stars	new item.

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

15. Savings have also been classified as Transformation or Departmental and highlighted as “Eff” or “SR” dependent on whether the saving is seen as an efficiency or a service reduction or a mixture of both. “Inc” denotes those savings that are funding related or to generate more income.

Growth

16. Growth over the next four years in the Children and Family Services budget totals £25.1m. The majority of this growth requirement relates to continued increases in demands (and the complexity of those needs) for children’s social care services culminating in increased placement costs and social workers.
17. The budget increases are outlined below with details for each growth item and summarised in Appendix B :

**** G1 - Social Care Placements £2.22025/267m 2022/23 rising to £19.25m by**

There has been a trend of demographic growth for Children’s Social Care locally and nationally with budgetary increases of 9% seen in recent years.

This budgeted growth of £19.25m over four years assumes a 5% increase on the basis that there has been significant work undertaken within the department within the Defining Children & Family Services (DCFS) programme on prevention and drift and also to ensure the right setting is available first time.. Without these interventions the growth included would be more like 7%.

This growth has been projected based on the number of children expected to be in care over the next four years and the type of placements expected. The focus is on more internal fostering and supported living arrangements reducing the reliance on the more expensive mainstream fostering and commissioned residential placements.

Average unit prices for placements have also seen an increase in recent years with a 35% increase in the overall average unit cost over the past four years. There are multiple factors that could be affecting unit costs including increasingly more complex needs of children and young people; increased competition for limited placements and national pressures such as the pandemic and increasing inflation. As mitigation, placements and their costs are continuously reviewed within the department and further investment is being made to build LCC owned residential homes with care provided in partnership with Barnado's as part of the Children's Innovation Partnership (CIP).

**** G2 – Front Line Social Care Staff – Increased Caseloads £3.1m 2022/23 rising to £5.6m 2025/26**

Investment in additional front-line social care staff capacity is required to ensure appropriate caseload levels and to continue to meet statutory duties. Assumptions around caseloads and the resources required in each team have been reviewed as part of the DCFSF programme.

This growth is based on the number of social workers and supporting staff required to support the number of projected contacts and children and is aligned to the placement growth.

The department has historically had to use agency staff to maintain manageable caseloads across social workers and recruitment and retention strategies and plans were updated to reduce this reliance. Some positive progress was made towards recruiting and training new social workers however the pandemic and ongoing need for more staff has impacted this somewhat and the use of some agency staff will be required and has been built into these budget growth assumptions.

Within the DCFSF programme further work is continuing to re-design the social care pathway and target operating model ensuring further consistency and productivity improvements.

**** G3 - Social Care Staff Market Premia - £20k 2022/23 rising to £80k in 2025/26**

This growth remains unchanged from the previous MTF5 other than extended for the new fourth year of the MTF5 of 2025/26. This growth enables the council to continue to recruit and retain key social work staff in an extremely competitive market place where there are significant differences in pay structure and grades across the East Midlands.

Further market premia may be required and payable on a grade by grade basis depending on local pressures and their implications but any increased budget will be funded from G2 and reduce the need and cost for agency expenditure.

**** G4 – Unaccompanied Asylum Seeking Children- £50k 2022/23 rising to £200k 2025/26**

Despite growing numbers of unaccompanied asylum seeking children the budgetary growth has been reduced to £50k per annum to reflect the increase in rates by the Home Office in 2021.

Savings

18. Details of proposed savings for the local authority budget are set out in Appendix B and total £3.77m in 2022/23 and £14.5m over the next four years in total. Additionally, the High Needs Development Plan aims to ensure sustainable services for children and young people with Special Educational Needs (SEN) within the High Needs Block of the Dedicated Schools Grant (DSG); in order to achieve this objective, cost reductions of £25.8m are required over the period of the MTFs.
19. The following paragraphs provide the detail of each savings item;

CF1 Eff – Defining Children and Family Services for the Future Programme - £3.27m 2022/23 rising to £12.25m by 2025/26

Over the last 12 months the CFS department in collaboration with consultants Newton Europe and other County Council colleagues have been developing and implementing a number of transformational opportunities as identified from the initial diagnostic undertaken.

The aims of the programme were to implementing change to future-proof Children and Family Services so that the right interventions are delivered in the right way, at the right time, to ensure that children, young people and families achieve the best possible outcomes while also ensuring that the service is financially sustainable going forwards.

The Design Stage has now concluded for the Pathways and Settings workstreams and the new ways of working are now being rolled out across the service. This includes the development of new processes, ways of working, reporting and digital tools.

Just a few examples include :

- Risk of Residential meetings to ensure children have access to family-based placements and/or service that will reduce the need for residential care,
- Residential review meetings led by Heads of Service that focus on the robust use of trajectory planning to ensure children and young people exit residential care in a timely way,
- A new domestic abuse toolkit and the introduction of a domestic abuse intervention worker,
- New focus for child in need plans for children with a disability, focusing on the future and preparing for adulthood.

The new ways of working have been piloted and tested with practitioners in real world situations, with digital tools being developed to support and embed these. Training has been provided to front line practitioners accompanied by intensive support to practitioners in order to apply the training in new ways of working to their caseloads.

Regular reports have been shared with the Cabinet, Children and Families Overview and Scrutiny Committee and CMT with total annualised benefits expected to be in excess of £13m. Positive early indications have been seen in the current financial year resulting in an underspend of c£2m against budget.

CF4 -Eff – Children’s Innovation Partnership - Assessment and Resource Team, Hub and Residential re-design - £250k in 2022/23 rising to £1.25m by 2025/26

These savings are attributable to the new models of care that have been co-designed within the Children’s Innovation Partnership with Barnardo’s with investment included in the capital programme.

The two main components that these savings are based on :

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

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

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

CF5 - Eff – Departmental Efficiency Savings - £0.25m in 2022/23 to £1m by 2025/26

These savings will continue the work commenced in the last financial year to identify short term savings to mitigate some of the in-year increased social care staff and placement costs and to incorporate the additional corporate spend controls implemented across the authority. To date c£1m has been identified through vacancy controls and reduced printing, travel and other running costs although some of this has been centralised within the Corporate Resources department.

Further savings opportunities are currently being identified and evaluated focusing on the service areas that are not in the direct scope of the other savings programmes outlined already.

Savings Under Development

20. As the Defining Children & Family Services for the Future (DCFSF) programme new ways of working are embedded, further analysis and strategic review will be undertaken to identify potential new opportunities to take forward in the following areas:
 - Review non statutory and lower priorities, recognising the upstream value add of early intervention preventative services
 - Identifying any services to outsource or bring in-house

- Placement Unit Costs and the Commissioning framework and processes – including 16+ placements and further SCIP investment
- Edge of Care
- Use of Systems & Back Office Support Functions
- Commercial opportunities
- Partnerships – health, education, police, community
- Maximising the potential of grants and funding identified in the Spending Review

As the savings opportunities are identified they will be prioritised based on amount of savings, impact and deliverability.

Dedicated Schools Grant

21. For 2022/23 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 £470.7m consisting of;</p> <ul style="list-style-type: none"> • School formula funding £467.6m • School Growth £3.1m 	<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>2022/22 reflects the DfE's intention for the 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 relate to the incidence of pupil characteristics rather than differing funding levels</p> <p>The allocation of funding to support new school growth will be retained to meet the future costs of new and expanding schools.</p>

		In respect of school formula funding this represents a cash increase of 3.9%
Central School Services Block £3.7m	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.	This is distributed through a per pupil allocation basis and is retained by the local authority. 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.
High Needs Block £94.8m	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. 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.	The formula is based upon population of 0-19 year olds and proxy indicators for additional educational need including deprivation, ill health, disability and low attainment. Also included is an element based on historic spend. The formula also includes a funding floor to ensure that local authorities do not receive a funding reduction as a result of the introduction of the formula. Leicestershire receives £2.6m through this element. The grant allocation includes the additional funding announced by the DfE following the December Spending Review and is a cash increase of 14%

Early Years Est £36.1m	<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 2021 census. The grant will be updated in July 2022 for the January census and again in June 2022 for the January 2022 census. The final grant will not be confirmed until June 2023.</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 £4.61 per hour for 3 and 4 year olds and the lowest rate of £5.57 per hour for disadvantaged 2 year olds.</p> <p>This position is an increase of funding of £0.21 per hour for 2 year old funding and £0.17.</p>
£605.3m	2022/23 Estimated DSG	

22. The 2022/23 MTFs continues to set the overall Schools Budget as a net nil budget at local authority level. However, in 2022/23 there is a funding gap of £9.1m on the High Needs Block which will be carried forward as an overspend against the grant.

Schools Block

23. The DfE have further stated their intention to move to a 'hard' National Funding Formula (NFF) whereby budget allocations for all maintained schools and academies is calculated by the DfE. The NFF 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 will, and continue to, vary as a result of pupil characteristics rather than national funding levels.
24. School funding remains a 'soft' school funding formula for 2022/3 which allows local authorities able to adopt their own funding formula. A consultation was undertaken by the DfE in the summer on the next steps towards a 'hard' formula in which proposals would restrict the local authority flexibility for 2023/34 where a local formula is adopted with a potential hard formula in 2024/25, the outcome of this consultation is unknown at this point.

25. 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 2022/23 is £3.1m. 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. The DfE summer consultation on school funding proposed moving to a national system to meet the cost of new school growth.

School Funding Formula

26. The NFF delivers a minimum amount of funding per pupil, £4,265 for primary and £5,321 for Key Stage 3 and £5,831 per Key Stage 4 pupil. Despite the overall increase in budget, at individual school level 72 (32% of primary schools) and 7 (16% of secondary schools) remain on the funding floor and is a slight improvement from 40% of primary and 19% of secondary schools for 2021/22. These schools, despite additional funding, may 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.
27. Schools will also receive grant to offset additional costs including such as those encountered through the Introduction of the Health and Social Care Levy and the Pupil Premium where rates have also increased for 2022/23.
28. The NFF for schools is based upon the 2021 School Census but funding for local authorities is based upon the pupil characteristics recorded on the 2020 school census. Nationally a concern remains that the number of pupils recorded in receipt of Free School Meals and pupils that trigger deprivation funding may have increased as a result of the Coronavirus Pandemic. Any increase would be unfunded and could result in the cost of fully delivering the NFF being unable to be met from the Schools Block DSG. This position will be reviewed once individual school data from the 2021 Census has been analysed. The national regulations allow for an adjustment within the formula to ensure the budgets for schools can be met from the DSG allocation.
29. It remains possible for local authorities to transfer up to 0.5% of the Schools Block DSG to High Needs following consultation with schools and with the approval of the Schools Forum. Secretary of State approval can be sought where Schools Forum do not agree a transfer, where local authorities wish to transfer more than 0.5% and for local variations to some of the technical aspects of the NFF. Consultation was carried out with schools on two options for a transfer in September to which thirteen responses were received from a total of 271 consultees. Of the twelve complete responses 10 disagreed with the transfer with two agreement.
30. The Schools Forum were recommended to approve the transfer on 15 November 2021 but voted to reject the transfer. A request for Secretary of State approval for the transfer was submitted for both options set out within the consultation, the Secretary of State has not approved the transfer which would have reduced the deficit by £2.3m for 2022/23.
31. Local authorities are required to submit their funding formula to the ESFA in mid January.

High Needs

32. 2022/23 is the final year of a three-year settlement for school funding which also provides the High Needs Block. The Spending Review included additional funding within the formula and an additional allocation to reflect the additional costs for providers from the Social Care Levy and other cost pressures.
33. The High Needs DSG is £94.7m and an increase of 14%. The formula allocates funding across a set of pupil-related indicators and also includes an allocation based on historic spend. A review of the formula was expected alongside the publication of the findings of the long awaited national SEND Review. However, this appears to be further delayed.
34. The forecast position on the High Needs element of the DSG is shown below:

	2022/23 £,000	2023/24 £,000	2024/25 £,000	2025/26 £,000
High Needs Dedicated Schools Grant	-91,393	-95,963	-98,842	101,807
Additional DSG - 2022/23 settlement	-3,676	-3,676	-3,676	-3,676
Placement Costs	95,163	101,052	109,361	117,271
Other HNB Cost	9,381	9,381	9,381	9,381
Commissioning Cost - New Places	3,131	3,664	3,727	2,221
Invest to Save Project Costs	989	465	0	0
Total Expenditure	108,664	114,562	122,469	128,873
Funding Gap Pre Savings	13,595	14,924	19,952	23,390
Demand Savings	-282	-1,009	-2,048	-3,376
Benefit of Local Provision and Practice Improvements	-4,215	-6,190	-8,844	-11,072
Total Savings	-4,497	-7,200	-10,892	-14,447
Annual Revenue Funding Gap	9,098	7,724	9,060	8,943
2019/20 Deficit Brought Forward	7,062			
2020/21 High Needs Deficit Brought Forward	10,387			
2021/22 High Needs Deficit Brought Forward P6 Forecast	10,521			
Cumulative High Needs Funding Gap	37,068	44,792	53,852	62,794
Surplus (-ve) / Deficit Other DSG Blocks Forward	-8,163	-10,125	-5,497	-997
Surplus (-ve) / Deficit Other DSG Blocks In Year	-1,962	4,628	4,500	997
Dedicated Schools Grant Surplus (-ve) / Deficit	26,943	39,295	52,855	62,794
Surplus / Deficit as % of Total DSG	4%	6%	8%	10%

35. The financial plan will be subject to change following the findings of the diagnostic work currently being completed by Newton Europe. This will reflect any savings opportunities identified and any potential impact on the expected growth trajectory from any internal system changes.
36. National research sets out systematic problems with the SEND system that are responsible for high needs deficits, yet to date there is no response to addressing them by the DfE with the exception of additional funding in the 2022/23 high needs settlement. However, increased funding levels do not provide a solution, research by the Local Government Association reported that there are structural features of the SEND system which would lead to deficits even if budgets were significantly increased and that local authorities bear all the risk in this area but have no levers with which to influence demand and cost. The DfE have undertaken a review of the SEND system but it is unclear when any findings from that research will be published.
37. Local authorities are now required to carry forward DSG deficits to the following year and may only now contribute to DSG with the approval of the Secretary of State. Whilst this is the approach the DfE have encapsulated in legislation in the medium term, it is not a sustainable or reasonable approach. Without the DfE addressing this through additional funding, local authorities will be required to set aside resources to offset the deficit.

Central Services Block

38. 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 £3.1m for 2022/23 and includes funding transferred in respect of the former teacher pay and the provisional settlement continues an annual reduction of 20% for the Historic Costs element of the settlement but a guarantee remains in place to ensure that funding doesn't decrease below the financial commitment to meet former teacher employment costs. This block also provides an element of funding to support the Education Effectiveness function. The recent funding consultation asked for views on transferring this funding from DSG into the Local Government Funding Settlement from 2023/24.

Early Years Block

39. The provisional settlement is £36.1m and is the only DSG block that takes account of demand changes across the financial year, the final allocation will not be confirmed until June 2023. Nationally funding for early years has increased by £160m and the Spending Review set out further increases in both 2023/24 and 2024/25. For 2022/23 the increase equates to an increase in the hourly rate for 2 year olds of £0.21 per hour and £0.17 for 3 and 4 year olds. Leicestershire remains on the funding floor and receives the lowest rate of funding. The maximum allowable 5% of this block 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.
40. There are further increases to the Early Years Pupil Premium of £0.07 and funding for the Disability Access fund increases by £185 to £800 per year which fulfils local authority's statutory duty to ensure sufficiency of places for those parents that request one.

Capital Programme

41. The proposed Children and Family Services capital programme totals £94.1m, for which the majority (£89.1m) there is external funding expected, resulting in only £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. £62m is proposed to be invested in the provision of additional placements; £7m for SEN. £7m for investment in residential homes and £10.6m for other schemes as per the summary table below and further details in Appendix C:

CFS Capital Programme	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Additional School Places	24,113	19,342	14,591	4,250	62,296
SEND Programme	5,912	8,000	0	0	13,912
Residential Investment	2,259	1,500	1,750	1,750	7,259
Other Capital	2,700	2,700	2,700	2,500	10,600
Total	34,984	31,542	19,041	8,500	94,067

Provision of Additional School Places

The investment in additional school places totals £62.3m over four years including £24.1m next year. 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.

SEND Programme

The total investment in the SEND programme is £13.9m and 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).

Residential Design Brief

A capital investment budget envelope of £2.5m was previously included in the MTFS 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. This phase is progressing well with properties purchased and currently being renovated ready to be in use some time in 2022.

This investment is for the next phase in this programme with another 4 properties being sourced to create further additional residential capacity up to a total cost of £1.9m with £0.95m of this being provided by a DfE grant and the rest match funded by LCC.

Over the next four years a further £5m capital investment has been included subject to a review of the business case and individual property and need evaluations.

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

Capital Resources	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Grants	12,245	1,000	1,000	1,000	15,245
External Contributions / S106	9,698	2,000	2,000	2,000	15,698
Earmarked capital receipts	2,685	500	500	500	4,185
Discretionary Capital Funding	10,301	1,500	1,750	1,750	15,301
Total Resources	34,929	5,000	5,250	5,250	50,429

Basic Need Grant - is received from the DfE based upon the need to create additional school places. Grant of £8.8m for the year 2022/23 has been confirmed but estimates of £1m 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. 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 £45m of S106 contributions fund the proposed programme, £9.7m in 2022/23. 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.

Background Papers

Report to Cabinet 14 December 2021 – Medium Term Financial Strategy 2022/23 to 2025/26.

Equality and Human Rights Implications

43. Public authorities are required by law to have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation;
 - Advance equality of opportunity between people who share protected characteristics and those who do not;
and
 - Foster good relations between people who share protected characteristics and those who do not.
44. Many aspects of the County Council's MTFS may affect service users who have a protected characteristic under equalities legislation. An assessment of the impact of the

proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those assessments will be revised as the proposals are developed to ensure decision makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.

45. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the action plan.

Circulation under local issues alert procedure

None.

Appendices

Appendix A – Revenue Budget 2022/23

Appendix B – Growth and Savings 2022/23 to 2025/26

Appendix C – Capital Programme 2022/23 – 2025/26

Officers to Contact

Jane Moore, Director of Children and Family Services

Tel: 0116 305 7441

E-mail: Jane.Moore@Leics.gov.uk

Chris Tambini, Director of Corporate Resources

Tel: 0116 305 6199

E-mail: chris.tambini@leics.gov.uk

Sara Bricknell, CFS Finance Business Partner

Tel : 0116 30 57869

E-mail : sara.bricknell@leics.gov.uk

Jenny Lawrence, Finance Business Partner (HN / SEN)

Tel: 0116 305 6401

E-mail: jenny.lawrence@leics.gov.uk