



SCHOOLS FORUM

23 FEBRUARY 2022

2022/23 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 2022/23 Dedicated Schools Grant Settlement for Leicestershire and the 2022/23 Schools Budget.
2. This report builds upon a number of reports presented through the 2022/23 financial year.

Recommendations

3. That Schools Forum approves the retention of the budget to fund future school growth (paragraph 15, 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 15, item 3)
5. That Schools Forum approve the centrally retained early years funding (Paragraph 15, item 5)
6. That Schools Forum notes the number and average cost of commissioned places for children and young people with High Needs (Paragraph 45)
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 61-64)
8. That Schools Forum note the average per pupil funding to be taken into account for recoupment for excluded pupils and other purposes (Paragraph 65)
9. That Schools Forum note the payment rates for the Early Years Funding formula (Paragraph 70)

Background

10. This report builds upon those presented to Schools Forum during 2021 and sets out the local authority's Schools Budget for 2022/23.
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. For 2022/23 the High Needs Block will continue to record a deficit which is required to be carried forward for recovery from future DSG under current legislation. The local authority can make no contribution to DSG without the approval of the Secretary of State, 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 2022/23 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 5% 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 202/23 Children and Family Services Budget was considered by the Children and Family Services Overview and Scrutiny Committee on 25 January 2022, by the Cabinet on 31 January 2022, budget proposals will be considered by the County Council on 11 February 2022 and is shown as Appendix A.

Role of the Schools Forum in setting the 2022/23 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. There has been much debate on the role of the Schools Forum under the National Funding Formula (NFF) which has restricted local decision making in respect of school budgets. However, the role of Schools Forum has not changed, the following table sets out the decisions vested in the Schools Forum and which apply to all local authorities for 2022/23;

<u>Item</u>	<u>Approval For</u>	<u>Action</u>
1.	De-delegation from mainstream school budgets	<p>Consideration is currently being given to de-delegation of funding for Schools Improvement activities as the result of a late decision by the DfE to withdraw long standing grant from 2022/23. Should this progress a further meeting of the Schools Forum would be required before 31 March to seek a decision.</p> <p>De-delegation can only be in respect of maintained primary and secondary schools only, all budgets for academies are required to be fully delegated. Only mainstream schools</p>
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.	<p>Schools Forum approved the policy for funding school growth at its meeting on 30 September 2019</p> <p>A revenue budget to meet the cost arising from commissioning additional school places required to meet the basic need for sufficient</p>

		school places was established in 2019. The proposed budget is £3.1m (2021/22 £2.4m)
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 £8,570 (2021/22 £8,570), this budget meets the cost of operating the Schools Forum • Admissions £322,094 (2021/22 £329,375). This meets the local authority's statutory responsibilities for admissions and is funded from the Schools Block. • Local Authority Statutory / Regulatory Duties, Asset Management and Central Support Services £1.871m. This largely consists of recharges from services outside the Children and Families Department that support budgets funded from DSG such as finance, ICT, property. It also includes funding previously allocated as central teacher pension grant.
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</p>	<ul style="list-style-type: none"> • Premature Retirement Costs £674,900 (2021/22 £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 £248,000 (2021/22 £248,000). This is the commissioning budget for maintained schools causing concern, whilst the number of maintained schools has

	that the local authority remains supporting such costs arising from pre 1997	reduced overall the number of schools requiring LA support is largely unchanged.
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 £1.74m (2022/23 £1.75m)

16. 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.
17. 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.
18. There is some indications that the DfE are developing a revised approach to their support & challenge to LA DSG deficit management. In March 2021 it announced Safety Valve Agreements with five local authorities whereby additional funding would be provided if agreed actions and milestones in reducing the deficit are delivered. It is not currently known what progress is being made within these local authorities and whether additional funding has been given. There is no information to date on whether further agreements are being negotiations nor on any threshold that triggers DfE discussion.
19. 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.

20. 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 2022/23 cost for Leicestershire is confirmed at £538,140.

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>2022/23 reflects the DfE's intention for the a National Funding Formula (NFF) for schools which attributes units of funding to pupil characteristics.</p> <p>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</p>

		<p>expanding schools.</p> <p>In respect of school formula funding this represents a cash increase of 3.9%</p>
<p>Central School Services Block £3.7m</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 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 £94.8m</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 2022/23 grant is not expected until</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. 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.</p> <p>The grant allocation includes the additional</p>

	March 2022.	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

2022/23 School Funding Formula

26. 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.
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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

29. 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.
30. 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.
31. 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
32. 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.
33. 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 High Needs deficit and school budgets by £2.3m for 2022/23.
34. Local authorities were required to submit their funding formula to the ESFA in mid-January, confirmation of adherence to all regulations is awaited. School Budgets for maintained schools are required to be issued by local authorities by 28 February. The ESFA will confirm budgets for academies by 31 March.

35. Appendix A sets out the 2022/23 Funding Formula rates and the number of funded units.

De-Delegation

36. As set out in the report to Forum on 15 November 2021 de-delegation to fund a scheme to meet the costs of Union Facilities time is not being pursued for 2022/23. The local authority has committed to working with unions to find a solution to this long-standing issue.
37. Local authorities have received the School Improvement, Monitoring and Brokerage Grant (the grant) from the DfE to fund their school improvement functions for maintained schools. The DfE consulted in the autumn on some changes to this funding arrangement. The consultation was based on the DfE's view that there should be a clear distinction between core school improvement activities funded through the local authority budget and those 'additional' activities delivered to maintained schools that should be funded by de-delegation. It was proposed that the grant be removed and that this funding to provide consistency with how Multi Academy Trusts (MAT's) were funded for such activities through the top-slice applied to school budgets.
38. The outcome of the consultation was published in January which has confirmed that the grant being reduced by 50% in 2022/23 and removed in total from 2023/24. To allow local authorities to plug the funding gap changes were made to the School and Early Years Finance (England) Regulations to make provision for de-delegation for school improvement activities following consultation with schools and approval from the Schools Forum. The DfE recognise that their timescales present more challenge than in other years but have clarified that whilst councils needed to submit their formula budgets to the ESFA by 21 January, they need only to confirm schools' budget shares before de-delegation to maintained schools by 28 February, and confirm schools' budget shares after de-delegation by 31 March. This gives time for consultation but is out of line with the process to secure Schools Forum decision as followed in previous years.
39. An update on this will be given to the meeting. Should de-delegation be pursued a decision will be required from Schools Forum prior to 31 March. Only maintained school members of Schools Forum are allowed to vote on any proposal for de-delegation.

Schools Supplementary Grant

40. For 2022/23 mainstream school funding is increased by a Supplementary Grant from the DfE totalling £1.2bn nationally. This additional funding is to compensate for the additional costs of the Health and Social Care Levy and 'other' costs. It is expected that this grant will be rolled into the NFF in 2023/24 but no methodology has been given for the merger. The amounts for individual schools have not yet been confirmed but the following rates have been published by the DfE.

	2022/23
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	£ per Pupil
Primary Pupil	97
KS3 Pupil	137
KS4 Pupil	155
Lump Sum	3,680
FSM Primary	85
FSM Secondary	124
Post 16	35

41. Additional DSG has also been received in the December High Needs Block settlement in line with the additional funding for mainstream schools. Unlike the grant for mainstream schools the use of this additional funding is at the discretion of the local authority. In line with the NFF per pupil increases the banding rates payable to special schools will be increased by 2.6%.
42. The schools supplementary grant is only payable to public sector employers. This means that further education colleges, sixth form colleges, independent learning providers, as well as private and voluntary sector early years providers are not eligible to receive this funding.

High Needs

43. 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 in special schools.
44. The High Needs DSG is £94.7m and an increase of 14% and an increase from the July provisional grant settlement. The formula allocates funding across a set of pupil-related indicators and also includes an allocation based on historic spend. The DfE have stated their working assumptions on future year grant increases, both this and the additional funding announced in December improves the overall financial position. However, whilst the additional grant improves the overall financial position to align expenditure within the grant allocation. 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.
45. Appendix B set out the number of specialist places commissioned for 2022/23 and their average unit cost. It should, be noted that these are the minimum number of places to be provided and additional places may be commissioned throughout the year as need arises. The average unit cost will also vary as needs and costs change throughout the year.
46. 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			
Cummulative 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%

47. 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, changes to the growth trajectory and the expected 2021/22 deficit at the close of the financial year.
48. National research continues to set 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.

49. 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.
50. In March 2021 the DfE announced Safety Valve Agreements with five local authorities under additional DSG would be allocated to remove deficits be granted subject to the delivery of agreed actions and timescales. Nationally a further £150m has been allocated for this purpose. It is not known which local authorities are in discussion with the DfE and may be in line for additional funding other than they are the authorities with the highest deficits, nor is it possible to identify the threshold at which discussions with the DfE are triggered. Leicestershire has not been approached to discuss the DSG deficit but has informed the DfE that it is willing to do so.

Central Services Block

51. 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

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 three and four year olds 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 2022/23 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
56. The DfE's recent consultation on 2023/24 school funding sought views on a national system for funding school growth. To date the outcome of that consultation isn't known but a second phase of consultation is expected to consider this in detail.

Dedicated Schools Grant Reserve

57. 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.
58. Under new accounting rules implemented in 2020 where a local authority's Schools Budget shows a budget deficit relating funding has to be set aside to cover that deficit, and authorities are prohibited from contributing funding from its general budget.
59. The estimated balance on DSG at 31 March 2022 is set out below:

	Schools Block £,000	High Needs Block £,000	Early Years Block £,000	Central Block £,000	Total £,000
Balance 1/4/21	6,306	(17,449)	(68)	2	(11,209)
2021/22 Movement	2,263	(10,875)	1,276	-	(7,336)

Estimated Balance 31/3/22	8,569	(28,324)	1,276	2	(18,545)
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Note - Figures in brackets denote a deficit

60. Whilst the table above breaks down the DSG deficit into its individual funding blocks this is not a requirement and nationally the requirement is to show the DSG Reserve as a whole. The recent consultation on 2023/24 school funding suggests a movement to a national system for funding the revenue costs of schools growth which offsets the high needs deficit. Whilst a national system for funding school growth may have future benefits for Leicestershire as additional schools open, loss of this funding stream may result in the overall DSG deficit growing at a faster rate than expected.

Notional SEN Budget

61. 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:

£10,000	↑ Paid by Local Authority for each occupied place - may be more than one funding authority ↓	Total cost of provision specified in Education, Health and Care Plan Needs less £6,000 High Cost, Low Incidence	E l e m e n t 3	Element 3 funding - sometimes referred to as 'Top-up' is paid where the additional provision within the Education, Health and Care Plan exceeds £6,000 by the local authority with financial responsibility for the pupil and is in addition to the school delegated budget
	↑ £6,000 ↓	First £6,000 of cost of provision specified in Education, Health and Care Plan Low Cost, High Incidence	E l e m e n t 2	Element 2 Funding is met within the school delegated budget from the Notional SEN Budget. This is subsidiary calculation within the delegated budget consisting of 4% AWPU, 50% Low Prior Attainment and 67% IDACI. It is a financial measure of the expected level of SEND within the school population.
	↑ £4,000 ↓	Universal provision for all Pupils Universal	E l e m e n t 1	Element 1 Funding is the delegated pupil led funding for all schools and not affected by the individual level of need of pupils

* Delegated budget refers to the S251 Statement for maintained schools, GAG for academies and Core Funding for FE Providers

62. 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	2022/23 % to Notional SEN
Age Weighted Pupil Unit	4%
Prior Attainment	50%
IDACI	67%
Total Notional SEN Budget Contained within the Funding Formula	£34.96m

As the Notional SEN Budget is intrinsically linked to the funding formula it is subject to similar increased to that for overall pupil funding. The 2022/23 notional SEN budget is an increase of 1.9% from 2021/11

63. 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.
64. 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

65. 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 2022.

School Phase	Annual Rate £	Daily Rate £
Primary	3,734.84	19.66
Key Stage 3	5,266.14	27.72
Key Stage 4	5,934.88	31.24

66. It should be noted that budget deductions for permanently excluded pupils are required from the excluding schools under the finance regulations irrespective of whether the excluded pupil was recorded on the October census driving the school budget.
67. 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

68. Pupil Premium rates have increased for 2022/23:

	2022/23 £ per Pupil	2021/22 £ per Pupil
Primary Free School Meals	1,385	1,345
Secondary Free School Meals	985	955
Looked After and Previously Looked After Children	2,410	2,345
Service Premium	320	310

69. 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.

2022/23 Early Years Provider Budgets

70. Early year provider funding rates are set out below, the base rate has increased by £0.16 per hour for 3 and 4 year olds and by £0.20 per hour for 2 year olds as a result of the national increase of funding.

3 and 4 Year olds	Per Hour
Base Rate	£4.31
Deprivation top-up	£0.04 - £0.08
Special Needs top-up	£6.99

2 Year olds	Per Hour
2 Year Old Base Rate	£5.27
2 Year Old Special Needs top-up	£6.99

The Local Authority Budget

71. Leicestershire County Council remains in a financially challenging position. The Medium Term Financial Strategy (MTFS) was considered by the Cabinet on 11 February and will be considered by the Council Council on 23 February. The MTFS sets out a position of a balanced budget for 2022/23 with a budget gap of £8m in 2023/24 and rising to £40m by 2025/26. The proposals for Children

and Family Services were considered in detail by the Children and Family Services Overview and Scrutiny Committee on 25 January. The proposed Budget is summarised in Appendix C.

72. 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 2022/23 – 2025/26 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>	2022/23	2023/24	2024/25	2025/26
		£000	£000	£000	£000
	Demand & cost increases				
** G1	Demographic growth- Social Care Placements	2,265	7,715	13,075	19,250
** G2	Front-line social care staff - increased caseloads	3,100	3,840	5,075	5,595
** G3	Social Care market premia to support recruitment	20	40	60	80
** G4	Unaccompanied Asylum Seekers - additional demand	50	100	150	200
	TOTAL	5,435	11,695	18,360	25,125
References	<u>SAVINGS</u>	2022/23	2023/24	2024/25	2025/26
		£000	£000	£000	£000
** CF1	Eff Pathways workstream - Focus on prevention, drift and duration of interventions across all pathways	-1,055	-1,270	-1,335	-1,450
** CF2	Eff Settings workstream - Reduced care placement costs through growth of in-house capacity & supported lodgings and a review of placements	-2,115	-5,175	-7,250	-10,500
** CF3	Eff Disabled Children's Service Enablement Workstream	-100	-200	-250	-300
	Total Defining CFS For the Future Programme	-3,270	-6,645	-8,835	-12,250
** CF4	Eff Innovation Partnership - Creation of Assessment & Resource team and Hub and investment in residential accommodation	-250	-500	-750	-1,250
** CF5	Eff Departmental efficiency savings	-250	-500	-750	-1,000
	TOTAL	-3,770	-7,645	-10,335	-14,500

References used in the following tables

* 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

Capital Programme

73. 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:

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

Provision for capital investment 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.

Capital Funding

74. The majority of the capital programme is likely to be funded by external grant and developer S106 contributions as set out in the table below:

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 capital cost of new schools required on new housing developments will be fully funded from S106 contributions.

Appendices

Appendix A – 2022/23 Leicestershire School Funding Formula

Appendix B – 2022/23 Summary of Commissioned High Needs Places

Appendix C – 2022/23 Children and Family Services Budget

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