



**CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE**  
**24 JANUARY 2023**

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

**MEDIUM TERM FINANCIAL STRATEGY 2023/24–2026/27**

**Purpose of Report**

1. The purpose of this report is to:
  - Provide information on the proposed 2023/24 to 2026/27 Medium Term Financial Strategy (MTFS) as it relates to the Children and Family Services (CFS) Department;
  - 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 2022. The draft MTFS for 2023/24–2026/27 was considered by the Cabinet on 16 December 2022.
3. The Children’s Act 2004 and Children and Social Work Act 2017 allocates duties to Local Authorities to ensure that children are safeguarded, and their welfare is promoted. This legislation underpins the work of the Children and Family services with respect to looked after children, children in need and children in need of protection.
4. The Children and Families Act 2014 and the Care Act 2014 place a duty upon Local Authorities to commission education, health and social care services jointly with other key public services like the police and NHS in order to safeguard and promote the welfare of all children in their area.
5. ‘Working Together to Safeguard Children 2018’ guidance provides a framework for all the relevant legislation and sets out the importance of early identification and response to issues of concern, particularly for vulnerable groups.
6. Other relevant policies include:
  - Leicestershire County Council’s Strategic Plan 2018-2022;
  - Children and Family Services Departmental Plan 2020-2023;

- Road to Excellence – Continuous Improvement Plan 2017-2020;2021-2023;
- Voice and Influence Strategy 2020-2023;
- Children and Family Services – Commissioning Strategy 2016-2020;
- Children and Family Services – Quality Assurance and Improvement;
- Framework (QAIF)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.

## **Background**

7. The MTFS is set out in the report to Cabinet on 16 December 2022, 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.
8. 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 30<sup>th</sup> January 2023 before recommending a MTFS, including a budget and capital programme for 2022/23 to the County Council on 10 February 2023.

## **Children’s Care Reform**

9. Proposed reforms for Children’s social care were reported in May 2022. The government are due to respond to the independent reviews of Children’s Social Care, the Safeguarding practice review panel into two high profile child murders and the Competition and Markets Authority report into the children’s social care market, but it is not yet known when the Children’s Social Care National Implementation Board who are charged with considering the reviews will report. The estimated cost of the Children’s Social Care review recommendations is £2.6bn nationally.

## **Service Transformation**

10. Demand for Children and Family Services continues to increase with growth of £28.6m projected as the requirement to meet CFS needs before intervention, arising from demographic growth and an increased need for social care. The pandemic and cost of living crisis provide additional challenges which 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.
11. In response to these pressures, the department has in recent years embarked on a number of fundamental transformation programmes starting with the Defining Children and Family Services for the Future programmes (DCFSF) which is now embedded and has been expanded into the next phase (DCFSF2) and a similar programme for Transforming SEND and Inclusion in Leicestershire (TSIL). These transformation programmes are focused on continuous improvement across children and family services – ensuring positive outcomes for children and young people and their parents

and carers, making our delivery of support sustainable for the future, and responding to financial pressures through the MTFs.

12. Other savings are being delivered through partnerships such as the Children's Innovation Partnership (CIP) with Barnardo's and through service re-design.
13. The main programmes of transformational work are encapsulated in the following:

### **Transforming SEND and Inclusion (TSIL)**

14. 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 consultants Newton Europe through a diagnostic analysis of the programme and its activities which commenced in January.
15. A whole system mapping exercise has been completed to identify the key aspects of the system that will lever the necessary changes. The programme will focus on:
  - System Transformation: support for schools, early years, inclusive culture and visibility of inclusive practice.
  - Service Transformation: identifying needs, decision to assess and drafting EHCPs, setting type and decision making, confirming placements and sufficiency and proactive reviews and ceasing plans.
  - Digital and Performance: data consolidation and access, performance framework and benefits monitoring
  - Communication and engagement: engaging system stakeholders through change and ensuring consistency across the programme and improving communications with key groups such as schools, early years and parents.
16. The TSIL programme seeks to improve the local SEND system and outcomes for children and young people with Special Educational Needs and establish sustainable and legally complaint ways of working for the future that are aligned with the need to address financial challenges associated with High Needs Block funding, which includes examining more efficient and sustainable ways of work and identifying areas for savings or cost reductions.

### **Defining Children and Family Services for the Future Programme 2 (DCFSF2)**

17. DCFSF2 follows on from the DCFSF 1 programme which worked 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 Children's Innovation Partnership (CIP)**

18. 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**

19. A programme of work to identify and deliver further, usually smaller efficiencies in the services and back-office support functions that aren't in the scope of the other programmes.

### **Proposed Revenue Budget**

20. The table below summarises the proposed 2023/24 revenue budget and provisional budgets for the next four years. The proposed 2023/24 revenue budget is shown in detail in Appendix A.

	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Original prior year budget	90,576	100,772	103,762	106,957
Budget Transfers and Adjustments	3,816	0	0	0
Add proposed growth (Appendix B)	7,895	6,680	6,920	7,055
Less proposed savings (Appendix B)	-1,515	-3,690	-3,725	-3,635
<b>Proposed/Provisional net budget</b>	<b>100,772</b>	<b>103,762</b>	<b>106,957</b>	<b>110,377</b>

21. 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.
22. The total gross proposed budget for 2023/24 is £276m for Children's Social Care plus £494m Dedicated Schools Grant budget. The proposed net budget for 2023/24 totals £100.77m and is distributed as follows:

<b>Net Budget 2023/2024</b>	<b>£000</b>
Directorate	1,194
Safeguarding, Improvement and Quality Assurance	2,662
Children in Care	53,813
Field Social Work	16,894
Practice Excellence	549
Children and Families Wellbeing Service	10,207
Education Sufficiency	656
Education Quality and Inclusion	1,903
SEND and Children with Disabilities	6,666
Business Support and Commissioning	6,226
<b>Department Total</b>	<b>100,772</b>

### **Other Changes and Transfers**

23. Net budget increases totalling £3.8m were made during the 2023/24 financial year and are now adjusted for in the updated original budget. These transfers comprise:

- +£1.7m backdated pay award for the financial year 2021/22 and +£2,8m pay award for the financial year 2022/23 provided for from the central inflation contingency
- +£0.9m inflationary increase for children’s placement providers also provided for from the central inflation contingency
- (£1.6m) CFS legal budgets transferred to the CEX department

24. 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.

25. 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

26. Growth over the next four years in the Children and Family Services budget totals £28.6m. 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.

27. The budget increases are outlined below with details for each growth item and summarised in the table below and in Appendix B:

Ref	<b><u>GROWTH</u></b>					
	2023/24	2024/25	2025/26	2026/27		
	£000	£000	£000	£000		
<b><u>CHILDREN &amp; FAMILY SERVICES</u></b>						
<b><u>Demand &amp; cost increases</u></b>						
**	G1	Demographic growth- Social Care Placements	5,100	10,770	16,600	22,730
**	G2	Front-line social care staff - increased caseloads	995	1,350	1,710	1,830
	G3	Social care staff - Workforce Pressures / Instability	1,350	2,005	2,735	3,540
	G4	Increase in EHCP's - Additional Case Managers	450	450	450	450
<b>TOTAL</b>			<b>7,895</b>	<b>14,575</b>	<b>21,495</b>	<b>28,550</b>

### **\*\* G1 - Social Care Placements £5.1m 2023/24 rising to £22.7m by 2026/27**

28. The children’s social care placements budget comprises of a variety of settings to look after children as part of a statutory duty to safeguard children who may be at risk of harm.
29. There is a national trend of increasing numbers of children and young people in care, and for LCC this has been represented in an average increase of 10% per annum over the last five years up to and including 2021/22. This compares to a national average

increase of 4.1% over the last 5 years. From a high point of 12.3% in 2019/20 the department has been focused on preventing (where is it right for the child to do so), children coming into care and reducing the time that children and young people are in care, thus reducing the percentage increase year on year to below 8% in recent years. It should be noted that one main reason for the initial increase was that LCC started from a much lower number of CIC than other Local Authorities. Work was also completed to ensure that we offer the right service for 16/17 old homeless young people. Both of these factors led to a higher % increase in CIC in LCC, than that seen nationally. Although, our overall rate of CIC per 10k 0-17 year old population (49 per 10,000) remains lower than statistical neighbours (57 per 10,000) and the national average (68). We expect that the percentage increase will continue to reduce over the next few years and move in line with the national increases.

30. This growth bid has been modelled in detail and assumes a future projected trend of 7% year on year equating to 50-60 new children requiring a placement.
31. Projecting forward new costs is subject to a number of variables and can be volatile as firstly placements do not occur in a neat linear fashion and also the placement mix is critical as residential placements cost significantly more than other types of placements and external fostering is more expensive than internal.
32. One particular increase is seen in demand for court ordered parent-baby assessment placements with higher levels of such placements than ever before driven by the present focus and legal requirement to keep babies with their parents whilst assessments take place.
33. A critical factor in the growth of placement costs is the increase in the average cost of placements. The average social care cost of a residential placement is currently £4.8k per child per week, a 7% increase on the average costs compared to the last financial year. Market factors, inflationary impacts linked to cost of living, combined with the current complexities of the children which require care and support are all contributing factors to the current average costs.
34. Similarly, the average current social care cost of 16 plus provision is circa £1.5k per child per week, a 15% increase on the average costs for the last financial year. Whilst market factors still contribute to this increase, the increased trend of older and more complex needs children in the system often result in some very high cost 16 plus provision placements. This is highlighted for example in this current financial year which has seen several placements in excess of £6k per child per week – a 300% increase on the total average for this placement type and a contributing factor to the overall increase in its average cost for the provision type.
35. The other variable that has a big impact on placement weekly costs and the budget are the level of needs of each child and younger person. Again, these are not easy to predict accurately but there is a national trend of older children presenting with an increasingly complex range of emotional and behavioural needs resulting in foster carers unable or unwilling to foster these children and residential homes being able to command bespoke fees including additional support and waking night premiums.
36. 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 Barnados as part of the Children's Innovation Partnership (CIP).

**\*\* G2 – Front Line Social Care Staff – Caseload £1m 2023/24 rising to £1.8m 2026/27**

37. 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 were reviewed as part of the Defining Children and Family Services for the Future programme and the social care pathway continues to be reviewed to ensure the most appropriate resources are engaged at the right time.
38. This growth is to provide for increases in demand and caseloads and whilst numbers of children in care and on child protection orders are not increasing as rapidly as projected in previous years, the day-to-day management of those cases are becoming more complex both as result of increasing children's needs and also the level of support required for newly qualified social workers. £1m in 2023/24 provides for an increase in the establishment for 15 social workers (10 if recruitment of permanent staff isn't possible at this time and agency staff are procured instead).

**G3 - Social Care Staff Workforce Pressures / Instability - £1.35m 2023/24 rising to £3.5m in 2026/27**

39. In addition to caseload changes there is a national pressure creating recruitment and retention challenges within the social care workforce which in itself is creating additional costs such as agency premiums.
40. Nationally there is a shortage of qualified social worker staff which is projected to worsen as research shows trends of reducing numbers of entrants into social care training and qualified social workers not remaining in front line work on average for more than eight years. There is also a growing number of staff moving to agency work, or neighbouring local authorities, for inflated rates of pay.
41. All of these factors and issues are very prevalent within Leicestershire currently and of significant concern operationally. This is despite positive recruitment and retention activities, such as increasing the number of staff undertaking the apprenticeship social work course, and Leicestershire paying market premia payments to try to ensure average pay is more in line with similar posts across the region. This has resulted in continued pressures and challenges for social care service budgets in Leicestershire, resulting in the current instability across the social care workforce.
42. Given the current challenging market conditions, recruiting and retaining agency workers is also becoming a significant operational and financial concern and challenge, and could result in the agency charge rate/cost being comparably up to 75% higher than in house staff with each agency FTE potentially costing up to £60k more than an in-house social worker per annum if no change/intervention were to be applied. There is also a high risk that there will be insufficient agency staff to fill capacity gaps meaning statutory duties can't be maintained. The potential supply vs demand issue of social workers, both nationally and regionally is resulting in instability across the agency market, with rates being sought to secure such staff hitting increasingly high levels.

**G4 – Increase in EHCP's Additional Case Managers - £450k 2023/24**

43. Since 2016, there has been a 54% increase in the number of children and young people requiring an Education, Health and Care Plan (EHCP) in Leicestershire. This compares to a national increase over the same period of time in England of 38% and in the East Midlands of 32%. At the same time, funding has not increased in line with this local trend.
44. This increase in demand for EHCP's has led to delay undertaking Education Health and Care Plans Assessments and in issuing plans. This means that currently statutory deadlines, as set out in the SEND Code of Practice (2014) are not being met.
45. As a result of the delays in the issuing of draft and final EHCPs, phase transfers, and reviews of EHCPs across all age groups there has been a significant increase in the number of complaints being received from parents and carers, increasing number of appeals against decisions and a growing number of cases going to appeal, often leading to the tribunal overturning the decision of the Local Authority. This in turn creates additional work for the SENA service.
46. This growth provides for ten additional case managers to meet increased demands and alleviate some of the pressures in the system, whilst the system is under review as part of the TSIL Programme.

**Savings**

47. Details of proposed savings for the local authority budget are set out in the table below and Appendix B and total £1.5m in 2023/24 and £12.6m over the next four years.
48. 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.



References

**SAVINGS**

2023/24

2024/25

2025/26

2026/27

£000

£000

£000

£000

**CHILDREN & FAMILY SERVICES**

**	CF1	Eff	Pathways workstream - Focus on prevention, drift and duration of interventions across all pathways	-215	-280	-395	-450
**	CF2	Eff	Settings workstream - Reduced care placement costs through growth of in-house capacity & supported lodgings and a review of placements	-900	-2,670	-4,490	-6,470
**	CF3	Eff	Disabled Children's Service Enablement Workstream	-100	-150	-200	-250
			<i>Total Defining CFS For the Future Programme</i>	<i>-1,215</i>	<i>-3,100</i>	<i>-5,085</i>	<i>-7,170</i>
**	CF4	Eff	Innovation Partnership - Creation of Assessment & Resource team and Hub and investment in residential accommodation	-250	-500	-1,000	-1,250
**	CF5	Eff	Departmental efficiency savings	0	-200	-500	-800
	CF6	Eff	Departmental establishment modelling / Re-design	0	0	-440	-940
	CF7	Eff	Defining CFS For the Future Programme - Phase 2	0	-1,000	-1,500	-2,000
	CF8	Eff	Alternative approach for delivering anti-bullying	-50	-50	-50	-50
	CF9	SR	Review Virtual School provision	0	-355	-355	-355
			<b>TOTAL</b>	<b>-1,515</b>	<b>-5,205</b>	<b>-8,930</b>	<b>-12,565</b>

**Reference Key**

\* 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

The following paragraphs provide the detail of each savings item:

**\*\* CF1-3 (Eff) Defining Children and Family Services for the Future Programme (Phase 1)- £1.2m 2023/24 rising to £7.2m by 2026/27**

49. Starting in the previous financial year, CFS department, in collaboration with consultants Newton Europe and other County Council colleagues implemented a number of transformational opportunities as identified from the initial diagnostic undertaken.
50. The aims of the programme were to implement 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 whilst also ensuring that the service is financially sustainable going forwards.
51. The main focus was in four key areas:
  - a) **Children's Pathways** - placing greater focus on earlier interventions and preventing the level of need escalating into higher tier interventions
  - b) **Timeliness of interventions** - ensuring that interventions are delivered in a timely way as part of a child/young person's journey in order to meet needs at the right time and by the right team.

- c) **Settings** - ensuring that Children and Young People are placed in the most appropriate setting for their level of need
- d) **Children with Disabilities** - ensuring that children and young people with disabilities are supported to achieve greater levels of independence.

52. Some of the key deliverables from this programme included:
- A targeted focus on the resolution of risk factors including domestic abuse to reduce re-referral rates and fewer children escalating to Children In Need and Child Protection Services.
  - A roll out of trauma informed practice training.
  - A new caseload management tool and improved system utilisation and reporting.
  - Improved kinship and foster carer engagement in the earlier stages and ongoing support.
  - Focus on ensuring the most appropriate placement for children both from the start and enabling step-down at the right time through SMART plans and reviews.
  - Improving transitions and maximising independence for young people approaching adulthood.
53. The DCFSF1 programme has delivered over £3m savings to date and is now embedded in “business as usual” activities whilst the benefits continue to accrue over the lifetime of children’s placements with total annualised savings at full run rate expected of £11m by 2026/27, in excess of the original target annualised benefit of £9m.

**\*\* CF4 (Eff) Children’s Innovation Partnership - Assessment and Resource Team, Hub and Residential re-design - £250k in 2023/24 rising to £1.25m by 2026/27**

54. 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.
55. 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 in an Assessment and Resource hub and multi- functional residential properties that can be used flexibly to meet ever changing demands and where there is limited capacity in the market. Financial savings will be achieved by lower commissioned costs in an ever-competitive market with reduced capacity and providers not having the capacity or provision to accommodate children and young people with the most complex needs.
56. Investment of £5.7m has been included in the capital programme over the life of this programme of which there is £2m approved grant funding from the DFE. This will enable the provision of additional capacity within 9 properties currently earmarked for an Assessment & Resource Hub; parent and baby units and residential homes for children and young people at risk of exploitation and / or experiencing high Social, Emotional and Mental Health (SEMH) needs. Each property will be able to accommodate up to three children and young people each depending on needs and matching of needs.
57. To date, six properties across the County have been identified and being developed with the first phase of properties due to go live imminently and the rest over the next financial

year. A further three properties, recently awarded match DFE grant funding, are being actively sourced.

**\*\* CF5 (Eff) Departmental Efficiency Savings - £0.2m in 2024/25 to £0.8m by 2026/27**

58. 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.
59. 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.

**CF6 (Eff) Departmental Establish Modelling Redesign - £0.44m in 2025/26 to £0.94m by 2026/27**

60. In response to national and local challenges recruiting and retaining social workers and increasing numbers of Children In Need, this workstream, as part of the DCFSF2 programme, has been set up to review roles and responsibilities across the care pathway rebalancing workloads as well as thresholds for support so that support is provided for families with the most appropriate resources, likely to result in a greater use of non-social work qualified staff to support families deemed to be children in need.

**CF7 (Eff) Defining CFS for the Future Phase 2 (DCFSF2) - £1m in 2024/25 increasing to £2m by 2026/27**

61. Following on from the success of the first programme phase, Defining Children and Family Services for the Future programme 2 (DCFSF2) has been implemented and will be delivered in 3 phases. The first phase, the diagnostic phase has been completed, identifying the following priorities for change as well as the Establishment Modelling Redesign workstream outlined in CF6 above:
- Staying Close – improved sufficiency of homes for care leavers and improved services that enable care leavers to be healthier, happier and to have improved emotional wellbeing, and as such reduced need for support services.
  - Short breaks – a review of the Council's offer to have greater alignment to local need
  - Recurrent removal of children from families- aimed to support families to address lifestyle or parenting issues that will mean future children will not be removed from their care.

**CF8 (Eff) Alternative Approach for Delivering Anti Bullying - £50k in 2023/24**

62. Savings are expected from the non-recruitment of a vacant post. Longer term work is taking place on how best to deliver the anti-bullying strategy going forward.

**CF9 (SR) Review Virtual School Provision - £355k in 2024/25**

63. The Leicestershire Virtual School exists to improve the education of children in care by supporting children, schools, carers and social workers to help young people to do their best. It works closely with colleagues both in education setting and social care.
64. A review of this service is planned to re-focus on the statutory elements of this service, whilst ensuring that the education needs of Children in Care continue to be supported.

### **Savings Under Development**

65. Alongside the delivery of Defining Children and Family Services for the Future Phase 2 additional opportunities will be explored and worked into future savings opportunities including:
- School Admissions – opportunity to avoid growth and maximise income.
  - School Attendance reporting – a new burden resulting from a change in legislation. Mitigate need for growth to accommodate.
  - Review of staffing structures to look at potential efficiencies/savings.
  - Creating an agency – reduce spend on agency staff and mitigate future increases in fees by creating our own Social Work Agency.
  - Centralising of budgets and reinforcement of spend controls for discretionary funds.
  - Review of growth following the defining for the future phase 1 programme.

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

### **Dedicated Schools Grant**

66. For 2023/24 the Dedicated Schools Grant (DSG) remains calculated in four separate blocks as set out below:

<b>Funding Block</b>	<b>Areas Funded</b>	<b>Basis for Settlement</b>
Schools Block Est £493.6m consisting of: <ul style="list-style-type: none"> <li>• School formula funding £490.9m</li> <li>• School Growth £2.7m</li> </ul>	Individual budgets for maintained schools and academies.  Growth funding for the revenue costs of delivering additional mainstream school places and to meet the local authorities' duty to ensure a sufficient number of school places.  DSG is notionally allocated to Leicestershire for all maintained schools and academies. A locally agreed funding formula is applied to this to determine school budgets, for maintained schools these are allocated	2023/24 sees the DfE transition to the National Funding Formula (NFF) and further restricts local authority decision making on school funding which continues to attribute units of funding to pupil characteristics. The grant settlement is based on: <ul style="list-style-type: none"> <li>• the aggregate of pupil led characteristics for each individual school:</li> <li>• an allocation for school led factors.</li> </ul> These allocations will be fully delegated to schools.  The NFF means that all local

	<p>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>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>In addition to the NFF schools will receive a total of £17m in the Mainstream School Additional Grant</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> <p>In respect of school formula funding this represents a cash increase of 5.4%</p>
<p>Central School Services Block £3.8m</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. As for 2022/23 the DfE will ensure that authorities will have sufficient funding to meet school historic premature retirement costs which do not expire.</p>
<p>High Needs Block £104.8m</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>The formula is based upon population of 0-19 year olds, rather than the 0 -25 year old population it supports, and proxy indicators for additional educational need including deprivation, ill health, disability and low attainment. Also included is</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 2023/24 grant is not expected until March 2023.</p>	<p>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 £2.9m through this element.</p> <p>The grant allocation includes the additional funding announced by the DfE following the December Spending Review and is a cash increase of 9.8% per head of 2 -18 population</p>
Early Years Est £39.3m	<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 2022 census. The grant will be updated in July 2023 for the January census and again in June 2024 for the January 2024 census. The final grant will not be confirmed until June 2024.</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 £4.87 per hour for 3 and 4 year olds and the lowest rate of £5.63 per hour for disadvantaged 2 year olds.</p>
<b>£641.7m</b>	<b>2023/24 Estimated DSG</b>	

67. The 2023/24 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 £13.3m on the High Needs Block which will be carried forward as an overspend against the grant.

### **Schools Block**

68. School funding continues to be delivered by the National Funding Formula (NFF) which funds all pupils at the same rate irrespective of the authority in which they are educated. The NFF uses pupil characteristics each with a nationally set funding rate to generate school level funding to local authorities. Within the NFF only the per pupil entitlement is universal to all. Other factors reflect the incidence of additional needs such as deprivation and low prior attainment. Funding levels between local authorities and individual schools within those local authorities vary as a result of pupil characteristics rather than national funding levels.
69. 2023/24 is the first year of transition to the Direct Schools National Funding Formula, the DfE's stated intention is to fully move to the direct NFF but has not confirmed when that will be. Local authorities are further restricted on the content of their local funding formula for schools and will only be able to use the NFF factors and are required move to within 10% of NFF values. This has no implications for Leicestershire where the current formula fully reflects the NFF.
70. The 2023/24 Schools Block DSG settlement is £493.6m, a per pupil increase of 1.8% per pupil.
71. 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 of £2.8m. The revenue cost of commissioning a new school is estimated to be £0.4m for primary and £2.3m for secondary, depending upon size and opening arrangements. 29 new primary and 2 new secondary schools are expected to be built in Leicestershire in the medium to long term. The DfE's June funding consultation proposed a national system for funding new and expanding schools from 2024/25 but further details are currently not available.
72. 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. No such transfer is proposed for 2023/24.

### **School Funding Formula**

73. The NFF delivers a minimum amount of funding per pupil, £4,405 for primary and £5,503 for Key Stage 3 and £6,033 per Key Stage 4 pupil. For 2023/24 the DfE have focused additional funding on the deprivation factors within the NFF. The DfE view this movement as supporting those schools with larger proportions of pupils from ethnic minority backgrounds and with SEN.
74. Schools remaining on the funding floor are vulnerable to changes in future levels of DfE protection. To respond to the economic crisis the DfE announced a new Mainstream Schools Additional Grant (MSAG) for 2023/24 which totals £17m and increases the overall level of school funding to 5% per pupil. As the funding guarantee is at pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation.
75. Additional to the increases to the NFF and MSAG Pupil Premium rates have also been increased by 5%.
76. Whilst the NFF for schools is based upon the 2022 School Census, funding for local authorities is based upon the pupil characteristics recorded on the 2021 school census.

Any increase in pupils eligible for additional funding i.e. Free School Meals, is unfunded and could result in it not being possible to meet the cost of fully delivering the NFF from the Schools Block DSG. This impact will be reviewed once data from the 2022 Census has been received and processed. The national regulations allow for an adjustment within the Minimum Funding Guarantee within the school funding formula to ensure the budgets for schools can be fully met from the DSG allocation.

77. Local authorities are required to submit their funding formula to the ESFA in mid-January 2023.

### **High Needs**

78. High needs funding has been increased nationally - authorities will receive a minimum increase of 5% per head of the 2-18 population and a maximum of 7% per head. Leicestershire remains at the funding floor with a 5% increase. It should be noted that the population factor only generates 34% of the High Needs DSG allocation with other funding more specifically allocated based on levels of attainment, deprivation and health/disability.
79. The provisional allocation is £104.9m, in addition to this an additional grant allocation of £4.147m will be received to reflect increased costs arising from the current economic situation. Leicestershire continues to receive floor funding which for 2023/24 is 2.9% of the funding allocation. Whilst this funding is reducing annually it should be noted that this allocation is the amount at Leicestershire receives above the funding generated by the High Needs National Funding Formula. The DfE has given local authorities their working assumption of annual increases of 3% and whilst grant allocations for 2024/25 onwards are uncertain this assumption has been factored into the MTFS.
80. Conditions have been placed on the additional high needs grant and local authorities are required to increase funding rates for maintained special schools and academies and for Alternative provision by 3.4% at an estimated cost of £2.5m which is reflected in the revised financial forecast.
81. The forecast position on the High Needs element of the DSG over the MTFS period is shown below:

	2023/24 £,000	2024/25 £,000	2025/26 £,000	2026/27 £,000
High Needs Dedicated Schools Grant	-105,082	-108,225	-111,462	-114,797
Placement Costs	112,643	121,137	131,606	143,376
Other HNB Cost	10,029	10,029	10,029	10,029
Commissioning Cost - New Places	417	90	90	0
Invest to Save Project Costs – TSIL	939	0	0	0
<b>Total Expenditure</b>	<b>124,028</b>	<b>131,256</b>	<b>141,725</b>	<b>153,405</b>
<b>Funding Gap Pre Savings</b>	<b>18,946</b>	<b>23,031</b>	<b>30,263</b>	<b>38,608</b>
TSIL Programme Defined Opportunities	-3,112	-8,596	-14,863	-21,522
Benefit of Local Provision and Practice Improvements	-2,515	-2,803	-3,115	-3,115



<b>Total Savings</b>	<b>-5,627</b>	<b>-11,399</b>	<b>-17,978</b>	<b>-24,637</b>
<b>Annual Revenue Funding Gap</b>	<b>13,319</b>	<b>11,632</b>	<b>12,285</b>	<b>13,971</b>
<b>2019/20 Deficit Brought Forward</b>	<b>7,062</b>			
<b>2020/21 High Needs Deficit Brought Forward</b>	<b>10,423</b>			
<b>2021/22 High Needs Deficit Brought Forward</b>	<b>11,365</b>			
<b>2022/23 High Needs Deficit Brought Forward P6 Estimate</b>	<b>10,876</b>			
<b>Cummulative High Needs Funding Gap</b>	<b>53,045</b>	<b>64,677</b>	<b>76,962</b>	<b>90,934</b>
Surplus (-ve) / Deficit Other DSG Blocks	-7,347	-8,347	-9,347	-10,347
<b>Dedicated Schools Grant Surplus (-ve) / Deficit</b>	<b>45,698</b>	<b>56,330</b>	<b>67,615</b>	<b>80,587</b>
<b>Surplus / Deficit as % of Total DSG</b>	<b>7%</b>	<b>9%</b>	<b>10%</b>	<b>12%</b>

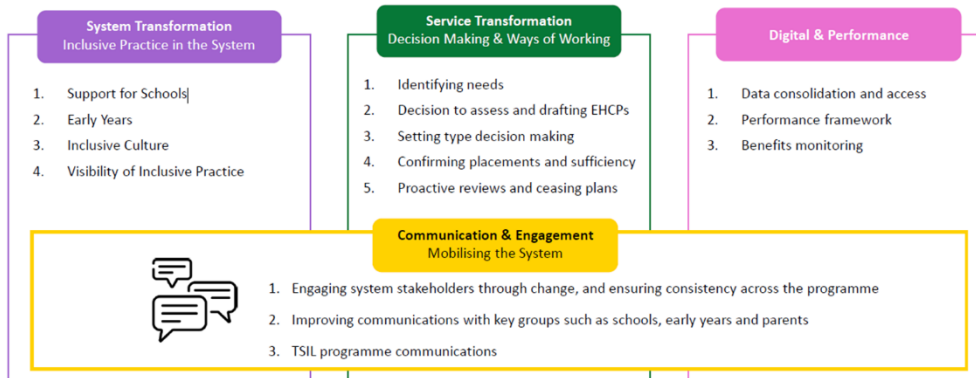
82. Clearly the financial position set out above is unsustainable and further actions need to be taken to address the position. Whilst some of the increased deficit relates to increasing cost, the significant element in the worsening position is the continued rate of growth in pupils.

Following a diagnostic review early in 2022 Leicestershire, through competitive tendering, has engaged Newton Europe as a strategic partner to deliver a programme of ambitious change to transform services and achieve the wide system change necessary for financial sustainability.

The Transforming Send and Inclusion in Leicestershire (TSIL) programme (as set out above) is focusing on changes to the whole SEND system to ensure that children with special educational needs and disabilities have their needs met at the right time, in the right place and with the right support.

The programme of work is now fully resourced and mobilised and consists of the following workstreams:

There are four Projects in the TSIL Programme, each of which has multiple workstreams



83. Based on the current trajectory of growth the TSIL programme is expected to deliver £32.1m in financial benefits to 2028/29 with £21.5m delivered over the period of the MTFS. The timescales for the delivery of the benefits reflect the complexity of the system change needed to achieve them

	2028/29 Benefit £,000	2023/24 – 2026/27 MTFS £,000
The right level of Children and Young People in mainstream provision		
The right level of provision for Children and Young People in mainstream provision	7,371	5,668
The right level of CYP in specialist settings		
The right ratio of Children and Young people supported in LCC and independent specialist provision	22,759	13,989
The right cost of independent provision	399	315
The right cost of provision following EHCP reviews and Health contributions	1,560	1,530
<b>Total</b>	<b>32,059</b>	<b>21,502</b>

84. The programme mobilised in July and will receive intensive support from Newton Europe until July 2023, at that point the full time support will reduce to a programme of enhanced health check and support with transformation being delivered within LCC which will consist of staff from within Children and Family services delivering and maintaining change with the support of the Transformation Unit and other corporate services such as Finance and Business Intelligence.

85. Local authorities are required to carry forward DSG as an unusable reserve 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 up until March 2023 and has now been confirmed for the next three years, it is not a sustainable or reasonable approach.
86. Without the DfE addressing this through additional funding, local authorities will be required to set aside resources to offset the deficit. At the levels of expected growth, the position is completely unsustainable and puts the Council's finances in a very difficult position. As such it is essential that the planned measures to contain ongoing growth, outlined above, are successful and both demand and costs are reduced

### **Central Services Block**

87. The central services block funds a number of school-related expenditure items such as existing school-based premature retirement costs, copyright licences under a national DfE contract for all schools and other historic costs. The 2023/24 settlement is £3.8m for 2023/24.
88. 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 does not decrease below the financial commitment to meet former teacher employment costs. The recent funding consultation asked for views on transferring this funding from DSG into the Local Government Funding, the DfE have yet to provide their response to the consultation.

### **Early Years Block**

89. The 2021 Spending Review set out an additional £180m nationally in respect of early years provisions but final information has not yet been released on this block for 2023/24. The provisional 2023/24 settlement is £39.3m, the final settlement will not be known until June 2024.
90. The Early Years National Funding Formula sets hourly rates of £5.63 for 2-year-old funding and £4.87 for 3 and 4 year olds. Despite funding increases Leicester remains at the funding floor compared to other Local Authorities. Options are currently being produced regarding the level of increase for nursery providers and retention of contingency in line with guidance.
91. Leicestershire recorded a deficit of £4m on the Early Years Block DSG in 2021/22 and remain in dialogue with the DfE and early years providers for its recovery which is likely to be implemented over the life of the next MTFS. Options are currently being prepared.

### **Capital Programme**

92. The proposed Children and Family Services capital programme totals £104.2m, for which the majority (£93.4m) there is external funding or capital receipts expected, resulting in £10.8m call on LCC capital funding over the four-year life of the proposed MTFS as per the summary table below and further details in Appendix C:
93. 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. £65.8m is proposed to be invested in the provision of additional placements; £26.5m for SEN. £11.9m for investment in other capital

requirements including completing the investment in residential homes; strategic capital maintenance and improved schools' access and security.

<b>CFS Capital Programme '£000</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
Additional School Places	30,243	16,393	12,688	6,507	<b>65,831</b>
SEND Programme	9,572	15,650	1,250	0	<b>26,472</b>
Other Capital	4,202	2,700	2,500	2,500	<b>11,902</b>
<b>Total</b>	<b>44,017</b>	<b>34,743</b>	<b>16,438</b>	<b>9,007</b>	<b>104,205</b>

### **Provision of Additional School Places**

94. The investment in additional school places totals £65.8m over four years including £30.1m 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**

95. The total investment in the SEND programme is £26.5m 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).

### **Other Capital**

96. There is £11.9m "other capital" included comprising of:

- £8m Strategic Capital Maintenance (£2m assumed per annum subject to funding),
- £2m Schools Dedicated Formula (£0.5m assumed per annum subject to funding),
- £0.4m to invest in improvement in schools' access and security,
- £1.5m investment in residential properties within the Children's Innovation Partnership (CIP) with more details outlined in the savings section above.

### **Funding Sources**

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

<b>Capital Resources</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
Grants	26,700	13,636	3,500	3,500	47,336
External Contributions / S106	18,389	7,013	12,187	5,507	43,096
Earmarked capital receipts	2,950	0	0	0	2,850

Discretionary Capital Funding	-4,022	14,094	751	0	10,823
Total Resources	44,017	34,743	16,438	9,007	104,205

98. Basic Need Grant - is received from the DfE based upon the need to create additional school places. Grants of £14.3m and £3.1m have been confirmed for the years 2023/24 and 2024/25 respectively but estimates of £1m have been included for the final two 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 authority's growth fund funded from DSG for primary and secondary schools. £8m is received for the revenue and capital costs of additional places for SEND.
99. 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.
100. S106 Contributions – it is estimated that a total of £34.1m of S106 contributions fund the proposed programme, £18.4m in 2023/24. 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 16 December 2022 – Medium Term Financial Strategy 2023/24 to 2026/27: <https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6746&Ver=4>

### **Circulation under local issues alert procedure**

None.

### **Equality and Human Rights Implications**

101. 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.
102. 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.

103. 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.

### **Appendices**

Appendix A – Revenue Budget 2023/24

Appendix B – Growth and Savings 2023/24 to 2026/27

Appendix C – Capital Programme 2023/24 – 2026/27

### **Officers to Contact**

Jane Moore, Director of Children and Family Services

Tel: 0116 305 7441

E-mail: [Jane.Moore@Leics.gov.uk](mailto:Jane.Moore@Leics.gov.uk)

Chris Tambini, Director of Corporate Resources

Tel: 0116 305 6199

E-mail: [chris.tambini@leics.gov.uk](mailto:chris.tambini@leics.gov.uk)

Sara Bricknell, CFS Finance Business Partner

Tel : 0116 30 57869

E-mail : [sara.bricknell@leics.gov.uk](mailto:sara.bricknell@leics.gov.uk)

Jenny Lawrence, Finance Business Partner (HN / SEN)

Tel: 0116 305 6401

E-mail: [jenny.lawrence@leics.gov.uk](mailto:jenny.lawrence@leics.gov.uk)