



SCHOOLS FORUM

14 FEBRUARY 2023

2023/24 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 2023/24 Dedicated Schools Grant Settlement for Leicestershire and the 2023/24 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 17, Item 2)

4. That Schools Forum approve the retention of budgets to meet the prescribed statutory duties of the local authority and to meet historic costs (Paragraph 17 ,Item 3)
5. That Schools Forum approve the centrally retained early years funding (Paragraph 17, Item 5)
6. That Schools Forum support the continued use of the exceptional premises factor in respect of schools that incur rental costs for premises and / or sports facilities and the adjustments made in respect of age range changes. (Paragraphs 32 - 33)
7. That Schools Forum note the actions taken by the local authority in applying Capping and Scaling to the National Funding Formula for the purposes of affordability (Paragraphs 34 - 42)
8. That Schools Forum notes the number and average cost of commissioned places for children and young people with High Needs (Paragraph 59)
9. That Schools Forum notes the Early Years Provider payment rates for 2023/24 (Paragraph 65)
10. That Schools Forum approve the action to be taken in respect of schools where the Special Educational Needs (SEN) notional budget is insufficient to meet the aggregated value of High Needs Funding Element 2 (Paragraph 77)
11. That Schools Forum note the average per pupil funding to be taken into account for recoupment for excluded pupils and other purposes (Paragraph 79)

Background

12. This report builds upon those presented to Schools Forum during 2022 and sets out the local authority's Schools Budget for 2023/24.
13. The Schools Budget is the term given overall to the services funded from Dedicated Schools Grant (DSG). Local authorities are required to set the Schools Budget at least equal to the amount of DSG received. For 2023/24 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.
14. 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
15. The 2023/24 Children and Family Services Budget was considered by the Children and Family Services Overview and Scrutiny Committee on 24 January 2022, by the Cabinet on 10 February 2023 and budget proposals will be considered by the County Council on 22 February 2023 and is shown as Appendix A.

Role of the Schools Forum in setting the 2023/24 Schools Budget

16. The Central School Services Block holds the retained budgets for a number of areas of expenditure centrally retained by the local authority through provisions contained within the School and Early Years Finance (England) Regulations, these budgets are subject to restrictions and some are subject to some decisions for the Schools Forum.
17. Whilst the DFE have eluded to changes in Schools Forum responsibilities as a result of the introduction of the National Funding Formula (NFF) which restricts local decision making in respect of school budgets, the role of Schools Forum is unchanged. It can be envisaged that the Schools Forum will have a key role in the final stages of the national implementation of the NFF for maintained and academy primary and secondary schools and preparing schools for any changes that may impact upon school funding. The following table sets out the decisions vested in the Schools Forum and which apply to all local authorities for 2023/24;

Item	Approval For	Action
1.	De-delegation from mainstream school budgets	<p>A decision on de-delegation for School Improvement Services for maintained schools is required and is a separate item on the agenda.</p> <p>De-delegation can only be in respect of maintained schools only, all budgets for academies are required to be fully delegated. Only mainstream school members of</p>

		Schools Forum are able to make de-delegation decisions.
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 school places was established in 2019. The proposed budget is £2.4m (2022/23 £3.1m)</p>
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 (2022/23 £8,570), this budget meets the cost of operating the Schools Forum • Admissions £366,000 (2022/23 £322,094). 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.	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	<ul style="list-style-type: none"> • Premature Retirement Costs £674,900 (2022/23 £674,900), these are historic costs relating to school staff where the commitment remains with the local authority and relates to

	set out their expectation that these costs should unwind over time and have begun annual reductions in funding. This may be the case for the element relating to schools causing concern but no funding will be released from premature retirement for significant periods of time given that the local authority remains supporting such costs arising from pre 1997. The DfE retain a guarantee that funding for premature retirement costs will not fall below DGS commitments	both maintained schools and academies. This appears on the Human Resources line of the budget statement <ul style="list-style-type: none"> Miscellaneous £248,000 (2022/23 £248,000). This is the commissioning budget for maintained schools causing concern, whilst the number of maintained schools has reduced overall the number of schools requiring LA support is largely unchanged.
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 £1.8m (2022/23 £1.74m)

18. 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.
19. 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 2023/24 cost for Leicestershire is confirmed at £604,782 (2022/23 £538,140).

Dedicated Schools Grant

20. For 2023/24 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 £493.6m consisting of;</p> <ul style="list-style-type: none"> • School formula funding £490.9mm • School Growth £2.7mm 	<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>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;</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>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>
Central School Services Block £3.8m	<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>
High Needs Block	<p>Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and support services for</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</p>

<p>£104.8m</p>	<p>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 2023/24 grant is not expected until March 2023.</p>	<p>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 £2.9m 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>
<p>Early Years Est £39.3m</p>	<p>Funds the Free Entitlement to Early Education (FEEE) for 2, 3 and 4 year olds and an element of the early learning and childcare service.</p> <p>The grant is based on the universal hourly base rate plus additional needs measured with reference to free school meals, disability living allowance and english as an additional language.</p>	<p>The allocation is based on individual pupil characteristics and converted to a rate per hour of participation. 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>

	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.	
£641.5m	2023/24 Estimated DSG	

The 2023/24 MTFS continues to set the overall Schools Budget as a net nil budget at local authority level. However, in 2023/24 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

21. 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.
22. 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.
23. The 2023/24 Schools Block DSG settlement is £493.634m, an increase of 1.8% per pupil.
24. 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.

25. 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.

2023/24 School Funding Formula

26. 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.
27. All funding guarantees within the NFF are per pupil, as a result schools will see an overall reduction in funding if they are experiencing falling rolls or there are significant changes in pupil characteristics. For 2023/24 60 schools are on the 0.5% Minimum Funding Guarantee and 43 schools at the Minimum Per Pupil Funding level.
28. To respond to the economic crisis the DfE announced a new Mainstream Schools Additional Grant (MSAG) for 2023/23 which totals £17m for Leicestershire and increases the overall level of school funding from the 0.5% per pupil announced in July to 5% per pupil.
29. Additional to the increases to the NFF and MSAG Pupil Premium rates have also been increased by 5%.
30. 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 results in it not being possible to meet the cost of fully delivering the NFF from the Schools Block DSG. 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.
31. Local authorities are required to use the DfE produced data to construct their school funding formula which wasn't received until late December meaning that the timescales for constructing budgets and submission of them to the DfE by 20 January is exceptionally challenging and leaves very little opportunity for consultation. Whilst Schools Forum is a significant stakeholder in all decisions on the school formula local authorities have to act urgently to address any funding gap.
32. Additional to the NFF factors the Leicestershire formula includes an exceptional premises factor that funds costs incurred in some school on rent for either additional premises and / or sports ground which was agreed by Schools Forum at its meeting on 4 December 2012 and 7 school receive a total of £70,770. For 2023/24 the criteria for this is that the value of the factor is more than 1% of the school's budget and applies to fewer than 5% of schools in the

local authority. For 2022/23 and the DfE are requiring authorities with exceptional factors within their formula reapply for permission and wish to see oversight of the Schools Forum on this matter.

33. The process for adjusting the pupil count in respect of September pupil movements as a result of schools undertaking age range changes or schools affected by them remains unchanged and includes an adjustment to the Minimum Funding Guarantee to ensure they budgets are not disproportionately affected by the differential between the funding for KS3 pupils and KS4 pupils which is higher. Age range change in secondary schools is almost complete and this adjustment will no longer be required once the process is complete.
34. In processing the 2022 census data an affordability gap was identified of £0.9m, this is almost solely related to increased numbers of pupils eligible for free school meals, simply the DfE have not provided Leicestershire with sufficient funding to deliver the NFF. Whilst this is the first instance of an affordability gap in Leicestershire many authorities regionally and nationally have had, and continue to be, in this position.
35. There are three options available to address a funding gap all of which were assessed:
 - Provide additional funding of £0.9m. The financial position of the local authority does not allow for this.
 - Reduce values within the school funding formula. Leicestershire has formally adopted the National Funding Formula. Any change to the formula values within could be viewed as a change to the formula which would require full consultation with schools. Additionally, the DfE are requiring local authorities to move closer to the NFF.
 - Introduce capping and scaling to the outcome of the NFF. This is the approach the DfE set out to follow to ensure that local formulae are affordable. This is the approach adopted. It should be noted that this was the process followed nationally by the DfE in the first two years of transition to the NFF.
36. Irrespective of what methodology is adopted to achieve affordability local authorities are unable to make any adjustments to their formula that results in schools being funded below the nationally set Minimum Per Pupil Funding Levels (MPPL's). It is not possible to adopt an adjustment that results in an even impact across schools. The funding guarantees within the NFF i.e. the MPPL's and the Minimum Funding Guarantee (MFG) may reinstate any reduction in formula factors and protects those schools sitting on or slightly above the funding floor. Capping and scaling impacts on the schools that are the highest in year gainers from the NFF.
 - Capping is applying a maximum percentage of year-on-year funding gain
 - Scaling is applied to the cap to scale back its impact
37. It is important to note that capping and scaling is not a reduction in school funding but a limit on the amount of year-on-year funding gain available to an individual school. This action is necessary as the DSG allocation from the DfE

to Leicestershire is £0.9m lower than the cost of the NFF for Leicestershire Schools. No funding is being removed to be held centrally and 2023/24 school budgets are fully set at the level of funding received.

38. Modelling identified that to limit Leicestershire school NFF allocations to the funding received by the application of only a cap on gains would require that cap to be set at 3% and affect 67 schools. Spreading the impact wider across more schools minimises the funding reduction at affected schools but impacts on more schools overall. Modelling identified that the optimum solution was a cap of 2.2% with a scaling factor of 50%, this affects 114 schools with the maximum reduction in gain being £43,000, 0.6% of budget. The average for the 114 affected schools is £7,400 (0.2%).
39. 103 schools have guaranteed funding levels through either the MFG or MPPL's and therefore cannot be affected by any reduction in gain.
40. For 2023/24 the DfE have focused the additional school funding on deprivation through increasing the FSM rates within the NFF, it is the schools that would have gained the most from this increase those that would have seen the greatest change from the increased FSM rate.
41. Whilst local authorities are required to apply the cap and scale equally to maintained school and academy budgets for academies the values may differ from that modelled as the baseline for academy budgets applied by the DfE when calculating GAG may differ from that provided to the local authority.
42. Irrespective of the capping and scaling mechanism all Leicestershire schools will receive the funding guarantees set within the 2023/24 NFF, will receive an increase in per pupil funding and will receive all the funding the DfE have provided for the NFF.
43. The school funding formula has been submitted as required to the DfE for validation against the school funding regulations. Once this has been received budgets for maintained schools will be issued by the local authority in February, the ESFA will issue budgets to academies in March.

De-Delegation

44. Local authorities have previously received the School Improvement, Monitoring and Brokerage Grant (the grant) from the DfE to fund their school improvement functions for maintained schools, this grant has ceased totally for 2023/24 after being reduced by 50% in 2022/23. The DfE reasoning for withdrawing the grant which supported activity in maintained schools only is that it was a funding advantage to local authorities who were providing services that would otherwise be funded from finding topslice in a MAT.
45. For 2022/23 the local authority consulted on de-delegation, this being the mechanism the DfE give to local authorities to fund school improvement activity for maintained schools. De-delegation of £9 per pupil was agreed for 2022/23 by Schools Forum in March 2022. But approval can only be granted on an annual basis. A further consultation of de-delegation of £18 per pupil for 2023/24 has been undertaken and is subject to a separate item on the agenda

for consideration and decision by maintained primary schools only. De-delegation has no impact on academies.

Mainstream Schools Additional Grant

46. For 2023/24 in addition to the NFF mainstream school funding is increased by an additional grant from the DfE and is paid in respect of the impact of the current economic climate. This funding is estimated to be £17m for Leicestershire schools. This grant will be rolled into the NFF in 2024/25 but no methodology has been given for the merger but the expectation is that this will be through increases in the AWPU, lump sum and FSM6 factors within the NFF. The amounts for individual schools will not be confirmed until May but the following rates have been published by the DfE which school should use within their financial planning.

	2023/24 £ per Pupil
Primary Pupil	119
KS3 Pupil	168
KS4 Pupil	190
Lump Sum	4,510
FSM Primary	104
FSM Secondary	152

High Needs

47. 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.
48. The provisional allocation is £104.9m and will be confirmed in March once all pupil imports and exports have been finalised. In addition to the general increase an additional grant allocation of £4.147m has been received to reflect increased costs arising from the current economic situation. The DfE have changed the terms and conditions of DSG and require local authorities to increase funding for maintained special schools & academies and for Alternative Provision by 3.4% from this additional grant. The increase in funding has been incorporated into the 2023/24 budget. Unlike the guarantee for mainstream school this increase is on overall funding levels not per place, a process will be established to pass funding to schools.
49. 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.

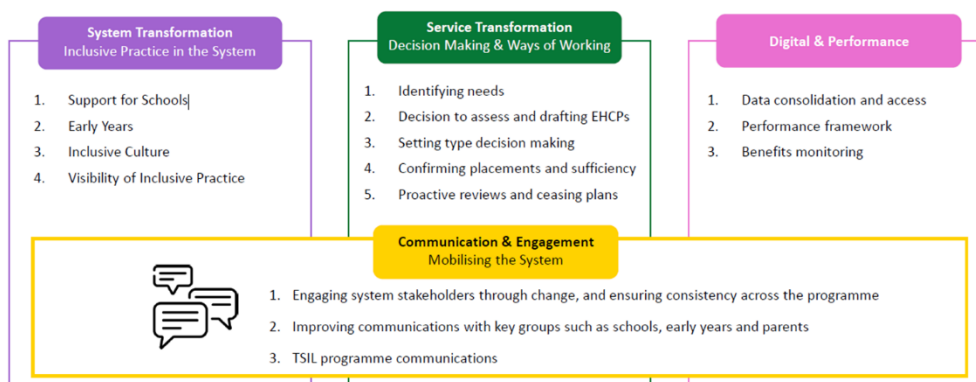
50. The forecast position on the High Needs element of the DSG over the MTFS period is shown below:

	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
Total Expenditure	124,028	131,256	141,725	153,405
Funding Gap Pre Savings	18,946	23,031	30,263	38,608
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
Total Savings	-5,627	-11,399	-17,978	-24,637
Annual Revenue Funding Gap	13,319	11,632	12,285	13,971
2019/20 Deficit Brought Forward	7,062			
2020/21 High Needs Deficit Brought Forward	10,423			
2021/22 High Needs Deficit Brought Forward	11,365			
2022/23 High Needs Deficit Brought Forward Estimate	10,876			
Cumulative High Needs Funding Gap	53,045	64,677	76,962	90,934
Surplus (-ve) / Deficit Other DSG Blocks	-7,347	-8,347	-9,347	-10,347
Dedicated Schools Grant Surplus (-ve) / Deficit	45,698	56,330	67,615	80,587
Surplus / Deficit as % of Total DSG	7%	9%	10%	12%

51. 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.

52. Following a diagnostic review early in 2022 Leicestershire, through competitive tendering, engaged Newton Europe as a strategic partner to deliver the Transforming SEND and Inclusion in Leicestershire Programme (TSIL) which is a programme of ambitious change to transform services and achieve the wide system change necessary for sustainability of SEN services. TSIL 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.
53. 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



54. 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	7,371	5,668
The right level of provision for Children and Young People in mainstream provision		
The right level of CYP in specialist settings	22,759	13,989
The right ratio of Children and Young people supported in LCC and independent specialist provision		
The right cost of independent provision	399	315
The right cost of provision following EHCP reviews and Health contributions	1,560	1,530
Total	32,059	21,502

55. 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.
56. 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.
57. 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
58. Additional DSG has also been received in the December High Needs Block settlement in line with the additional funding for mainstream schools. Alongside the additional funding which is £4.1m for Leicestershire there is a requirement to increase funding for special schools by 3.4%.
59. Appendix B set out the number of specialist places commissioned for 2023/24 and their average unit cost. It should, be noted that these are the minimum number of places being commissioned 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.

Central Services Block

60. 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.
61. 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

62. The 2021 Spending Review set out an additional £180m nationally in respect of early years provisions. The provisional 2023/24 settlement is £39.3m, the final settlement will not be known until June 2024
63. 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.
64. Leicestershire recorded a deficit of £4m on the Early Years Block DSG. The deficit will be recovered by retaining a contingency created by setting an increase in provider rates below the increase in DSG. Recovery over a four-year period will assist in securing provider sustainability.
65. Early year provider funding rates are set out below for providers of the Free Entitlement to Early Education (FEEE) and for eligible 2 year olds. The base rate has increased by £0.13 per hour for 3 and 4 year olds and by £0.06 per hour for 2 year olds as a result of the national increase of funding. Leicestershire's specialist and maintained nurseries are funded as special schools.

	2022/23 £ per Hour	2023/24 £ per Hour
<u>3 & 4 Year Olds</u>		
Base Rate	4.31	4.44
Deprivation top-up	0.04 – 0.08	0.04 – 0.08
Special Needs top-up	6.99	6.99
<u>2 Year Olds</u>		
Base Rate	5.27	5.33
Special Needs top-up	6.99	6.99

Funding School Growth

66. 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 2023/24 the grant is confirmed as £2.7m for its two distinct elements;
- Explicit i.e. funding to be given to schools increasing as a result of the basic need for school places; and,
 - Implicit i.e. the cost of protection and pupil number adjustments as a result of age range changes.
67. 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.

68. 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

69. 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. The current growth policy was adopted in September 2019. Since this point a number of new schools have opened and a number of expansions in the school estate have been undertaken, as such a review of its continued applicability will be undertaken once the DfE future intentions are known.

Dedicated Schools Grant Reserve

70. Local authorities continue to be 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.

71. The DfE have established a three tier intervention / support programme for authorities with DSG deficits:

- 13 authorities have agreed Safety Valve Agreements with the DfE. The DfE will in return for local authorities delivering specific activities to create sustainable SEND services provide additional DSG.
- 55 local authorities have been invited to the Delivering Better Value in SEND (DBV) programme. Leicestershire is with Tranch 1 of 3 Tranches in this programme which is currently in a data collection / diagnostic phase.
- The remaining 83 authorities are subject to discussions with the DfE on their individual positions.

72. The DfE set out requirements for local authorities to maintain a management plan to recover any DSG deficit. In Leicestershire this requirement has been served by the High Needs Development Plan and now through the Transforming Special Needs and Inclusion in Leicestershire programme (TSIL). Whilst there is no requirement to submit this plan to the DfE it can be expected that its monitoring will become a feature of Leicestershire's involvement in the DBV programme. Updates will also be presented to the Schools Forum

73. 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. Overall, the high needs deficit for 2023/14 is projected to be £53.0m in 2023/24 rising to £90.9m in 2026/27, the DSG deficit is forecast at £45.7m (7% of DSG) rising to £80.6m (12% of DSG) in 2026/27.
74. Whilst the TSIL programme will deliver further savings in future years outside the current MTFS period the financial position is clearly unsustainable and remains the most significant financial risk for the Council.

Notional SEN Budget

75. 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

76. The calculation of the Notional SEN Budget is locally defined and is unchanged for 2023/24. 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	2023/24 % to Notional SEN
Age Weighted Pupil Unit	4%
Prior Attainment	50%
IDACI	67%
Total Notional SEN Budget Contained within the Funding Formula	£36.3m

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 2023/24 notional SEN budget is an increase of £1.34m (4%) from 2022/23

77. 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. 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.
78. The process above is unchanged from previous years. The DfE have extended its guidance on the calculation of Notional SEN Budgets for local authorities. The SEND Green paper alludes to future NFF consultations considering the approach to its calculation. However, it is unclear as to what will be consulted upon or when. The local authority 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 and reflect DfE guidance.

Excluded Pupils

79. The arrangements for reclaiming funding are set out in the School and Early Years Finance Regulations are mandatory for any pupil permanently excluded. They are required to reflect the funding attributable to a pupil of same age and circumstances and is therefore based on the average per pupil funding value for primary, Key Stage 3 and Key Stage 4. 2023/24 rates also include MSAG which is deemed to be universal funding and is pupil linked. These values are detailed in the following table and will be applied as the deduction to school budgets from April 2023.

School Phase	Annual Rate	Daily Rate

	£	£
Primary	4,072.37	21.43
Key Stage 3	5,741.43	30.22
Key Stage 4	6,470.92	34.06

Deductions will also be made in respect of the pupil premium if applicable to an individual pupil.

80. 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.
81. 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

82. Pupil Premium rates have been increased by 5% for 2023/24:

	2023/24 £ per Pupil	2022/23 £ per Pupil
Primary Free School Meals 6	1,455	1,385
Secondary Free School Meals 6	1,035	985
Looked After and Previously Looked After Children	2,530	2,410
Service Premium	335	320

83. 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.

The Local Authority Budget

84. Leicestershire County Council remains in a financially challenging position. The Medium Term Financial Strategy (MTFS) was considered by the Cabinet on 16 December 2022, the Children and Families Overview and Scrutiny Committee on 24 January 2023 February and will be considered by Cabinet on 30 January before recommending a MTFS to the County Council on 10 February. The MTFS sets out a position of a balanced budget for 2023/24 with a budget gap of £17m in 2024/25 and rising to £92m by 2026/27. The proposals for Children and Family Services were considered in detail by the Children and Family Services Overview and Scrutiny Committee on 24 January. The proposed Budget is summarised in Appendix C.

85. Delivery of the MTFs requires savings of £155m to be made from 2023/24 to 2026/27, unless service demand reduces, or additional income is secured. This MTFs sets out in detail £38m of savings and proposed reviews that will identify further savings to reduce the £92m funding gap in 2026/27. A further £25m of savings will be required to contain High Needs expenditure within the Government grant going forwards (in recent years expenditure has exceeded grant to the extent that a cumulative deficit of £40m is forecast by the end of the current financial year). Strong financial control, plans and discipline will be essential in the delivery of the MTFs
86. 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 2023/14 – 2026/27 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;

Ref	<u>GROWTH</u>				
	2023/24	2024/25	2025/26	2026/27	
	£000	£000	£000	£000	
<u>CHILDREN & FAMILY SERVICES</u>					
<u>Demand & cost increases</u>					
** 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
TOTAL		7,895	14,575	21,495	28,550

References	<u>SAVINGS</u>		2023/24	2024/25	2025/26	2026/27	
			£000	£000	£000	£000	
<u>CHILDREN & FAMILY SERVICES</u>							
**	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
			TOTAL	-1,515	-5,205	-8,930	-12,565

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

Capital Programme

87. 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.

88. 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

CFS Capital Programme '£000	2023/24	2024/25	2025/26	2026/27	Total

Additional School Places	30,243	16,393	12,688	6,507	65,831
SEND Programme	9,572	15,650	1,250	0	26,472
Other Capital	4,202	2,700	2,500	2,500	11,902
Total	44,017	34,743	16,438	9,007	104,205

Provision of Additional School Places

89. 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

90. 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

91. 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

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

Capital Resources	2023/24	2024/25	2025/26	2026/27	Total
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

93. **Basic Need Grant** - is received from the DfE based upon the need to create additional mainstream 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 authorities growth fund funded from DSG for primary and secondary schools. £8m is received for the revenue and capital costs of additional places for SEND.

93. 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.
94. 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

Appendices

Appendix A – 2023/24 Leicestershire School Funding Formula

Appendix B – 2023/24 Summary of Commissioned High Needs Places

Appendix C – 2023/24 Children and Family Services Budget

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