



**CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE –
21 JANUARY 2025**

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

MEDIUM TERM FINANCIAL STRATEGY 2025/26–2028/29

Purpose of Report

1. The purpose of this report is to:
 - Provide information on the proposed 2025/26 to 2028/29 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 2024. The draft MTFS for 2025/26–2028/29 was considered by the Cabinet on 17 December 2024.
3. The Children Act 2004 and Children and Social Work Act 2017 allocate 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 Department 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. The 2023 revision focuses on whole-family approaches, and embedding strong, effective and consistent multi-agency child protection practice.

6. The School and Early Years Finance (England) Regulations 2023 set the legislative framework for the Schools Budget and defines the education functions to be met from the Local Authority Budget.
7. Other relevant policies include:
 - Leicestershire County Council's Strategic Plan 2022-2026;
 - Children and Family Services Departmental Plan 2024-2026
 - Achieving Excellence through purposeful practice 2024-2027 Continuous Improvement Plan
 - Voice and Influence Strategy 2024- 2027
 - Placement Sufficiency Statement and Market Position Statement - 2024-26
 - Children and Family Services – Quality Assurance and Improvement Framework (QAIF)
 - Keeping children safe- helping families thrive
 - Children Wellbeing and Schools Bill Dec 2024
 - National Framework for social work practice
 - Kinship Strategy

Equality Implications

8. Under the Equality Act 2010 local authorities are required to have due regard to the need to:
 - a) Eliminate unlawful discrimination, harassment and victimisation.
 - b) Advance equality of opportunity between people who share protected characteristics and those who do not; and,
 - c) Foster good relations between people who share protected characteristics and those who do not.
9. Given the nature of services provided, many aspects of the County Council's MTFs will 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 detailed 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.
10. There are several areas of the budget where there are opportunities for positive benefits for people with protected characteristics both from the additional investment the Council is making into specialist services and to changes to existing services which offer improved outcomes for users whilst also delivering financial savings.
11. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
12. Any savings arising out of a reduction in posts will be subject to the County Council's Organisational Change Policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan.

Human Rights Implications

13. Where there are potential Human Rights implications arising from the changes proposed, these will be subject to further assessment including consultation with the Council's Legal Services.

Background

14. The MTFs is set out in the report to Cabinet on 17 December 2024, 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.
15. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The Cabinet will then consider the comments of the Overview and Scrutiny bodies and responses from the wider consultation process at its meeting on 7 February 2025. The County Council meets on 19 February 2025 to consider the final MTFs.

Strategic Change

16. Demand for Children and Family Services continues to increase. Growth of £57m is projected over the period of the MTFs, as the requirement to meet CFS needs before intervention. This arises largely from demographic growth and an increased need for costly social care provision types. Residual impacts from the pandemic and the 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.
17. In response to these pressures, the department has in recent years embarked on several 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 the delivery of support sustainable for the future, and responding to financial pressures through the MTFs.
18. Other savings are being delivered through partnerships such as the Children's Innovation Partnership (CIP) with Barnardo's and through service re-design.
19. Several substantial cross-cutting, corporate-led change programmes have emerged to enhance the efficiency of the authority. The Prevention Review programme involves a systemic examination of prevention activities undertaken across the authority, including its partners, aiming to reduce unnecessary expenditures and alleviate demand on higher-cost services. The Customer programme focuses on streamlining and modernizing customer contact through automation and technology. The Sustainable Support Services Programme will ensure the optimal allocation of internal support resources and processes to enhance compliance and reduce costs. The Council is also fully embedding the Ways of Working programme, striking the right balance between home, office, and remote working. This initiative will maximise the utilisation of council

property and technology to drive improvements in productivity and efficiency and cost. All of these programmes will act as key enablers to support the department's service activities in the most cost-effective and efficient manner.

Children's Social Care Reform

20. On November 18 2024, the government published 'Keeping Children Safe, Helping Families Thrive'. This policy statement set out the government's approach to rebalancing the children's social care system toward earlier intervention through Family Help and strengthened multi-agency child protection - alongside other efforts to support children to live with kinship carers or in fostering families and fix the broken care market.
21. A summary of the headlines:
 - i. **Wherever possible children should remain with their families and be safely prevented from entering care in the first place**, there is lots of learning to draw from here e.g. youth justice teams, SureStart, Supporting Families, Families First for Children;
 - ii. **Support children to live with kinship or foster carers rather than residential care** via the use of family-based decision making, rolling out kinship reforms and recruiting more foster carers;
 - iii. **Fix the broken care market** via a range of measures to improve competition, regulation and commissioning, as well as shining a light on the levels of profit being made;
 - iv. **A focus on key enablers** including better data and information sharing, spreading evidence-based programmes and the workforce.
22. The Policy Statement sets out a number of legislative changes for Children's services. Full guidance will be published in the spring that will set out the expectations of local authorities to deliver the key components of the policy paper. Leicestershire's Children and Family Services department is currently working through the Policy Statement and guidance in order to develop its response and delivery of the new requirements. This work will allow the financial implications of such changes to be better understood.

Financial Control Measures

23. Given the increasingly challenging financial outlook, in addition to the plans set out in the MTFS, there is a need to ensure that financial controls are tightly operated, and additional measures introduced 12 months ago to restrict expenditure continue to remain in place.
24. In particular the areas of focus are on:
 - a. Recruitment;
 - b. Use of Agency staff;
 - c. Overtime;
 - d. Mobile phones;
 - e. Establishment of a Corporate Procurement Board;
 - f. Grant funding;
 - g. A range of other non-essential spend including use of consultants, advertising and promotions, conferences, travel/subsistence and levels of stock holdings.

25. Reviews will be continually undertaken within these areas to identify where spend can be reduced and stopped. Also enhanced approvals around areas such as recruitment and procurement will continue to require sign off by Departmental Directors and/or approved by corporate oversight boards.
26. These controls will be kept under review and consideration will be given to stepping them up or down as required, subject to the Council's financial position and expected reliance on reserves.

Proposed Revenue Budget

27. The table below summarises the proposed 2025/26 revenue budget and provisional budgets for the next four years. The proposed 2025/26 revenue budget is shown in detail in Appendix A.

| | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Original prior year budget | 120,902 | 136,746 | 143,166 | 150,716 |
| Budget Transfers and Adjustments | 1,144 | 0 | 0 | 0 |
| Add proposed growth (Appendix B) | 20,300 | 10,390 | 11,470 | 14,700 |
| Less proposed savings (Appendix B) | -5,600 | -3,970 | -3,920 | -3,450 |
| Total Net Provisional CFS Budget | 136,746 | 143,166 | 150,716 | 161,966 |

28. 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. Budget transfers to cover the additional costs associated with the 2024/25 pay award are still to be finalised but will be reflected in the final MTFS to be reported to Cabinet.

Other Changes and Transfers

29. Net budget transfers increases totalling £1.1m were made during the 2024/25 financial year and are now adjusted for in the updated original budget. The majority of this relates to the outputs of the impact and uplift of CFS internal family-based carers in line with governments minimum recommended allowances, and provision provided for from the central inflation contingency.

30. 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.

31. 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

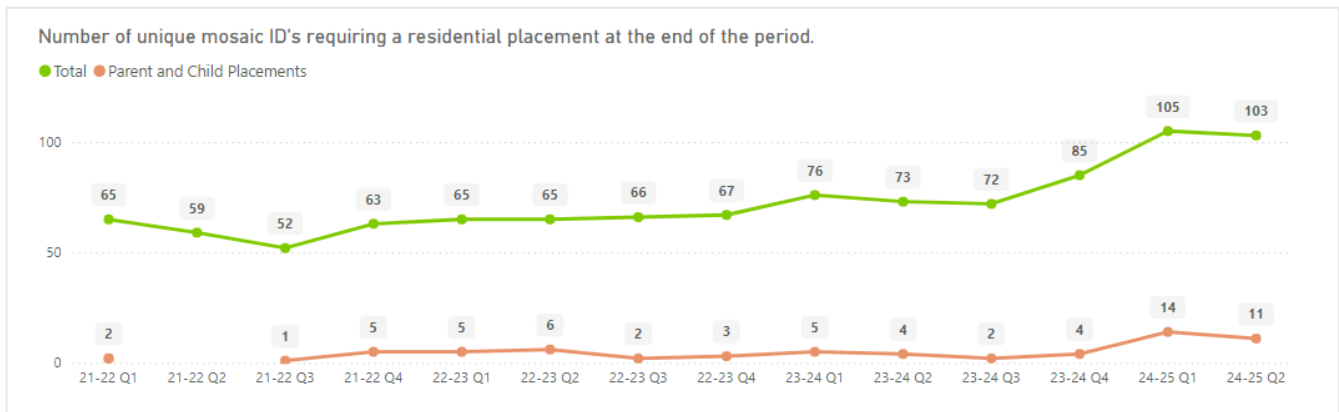
32. Growth over the next four years in the Children and Family Services budget totals £56.86m. This is mainly due to pressures on the Social Care placements budget arising from increased numbers of children requiring very costly residential provision as well as continued increasing demand of unaccompanied asylum-seeking children, which results in increased funding pressure when such cohorts transition to care leavers.
33. The budget increases are outlined below with details for each growth item and summarised in the table below and in Appendix B:

| References | <u>GROWTH</u> | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|------------|---|---------------|---------------|---------------|---------------|
| | | £000 | £000 | £000 | £000 |
| | <u>CHILDREN & FAMILY SERVICES</u> | | | | |
| ** G1 | Demographic growth & increasing cost of Social Care Placement mix | 15,000 | 23,300 | 33,000 | 44,500 |
| ** G2 | Front-line social care staff - increased caseloads | 500 | 500 | 750 | 750 |
| ** G3 | Post Transforming SEND & Inclusion In Leicestershire(TSIL) sustainability | 900 | 900 | 900 | 900 |
| ** G4 | Unaccompanied Asylum Seeking Children (UASC) - increased demand/cost | 3,250 | 5,500 | 8,000 | 11,200 |
| * G5 | Demand management | -100 | -260 | -1,240 | -1,240 |
| G6 | Children In Need Financial Support - Section 17/23 | 750 | 750 | 750 | 750 |
| | TOTAL | 20,300 | 30,690 | 42,160 | 56,860 |

**** G1 - Social Care Placements £15.0m 2025/26 rising to £44.5m by 2028/29**

34. 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.
35. This significant growth pressure relates largely to the increasing cost of children's social care placement mix, in particular due to the change in demand / numbers in relation to children in residential provision.
36. The MTFs for this financial year assumes budgeted residential numbers by March 2025 to be at 86 children (this includes parent and child placements). Trend and demand analysis used for setting the current in year budgets were based on analysis between April 2021 to January 2024, and indicated that the budgeted assumption of net demand of residential numbers growing to 86 by March 2025 to be reasonable and reflective of data-driven demand analysis. However, between the period of January 2024 and current position, residential numbers increased rapidly to over 100 children.
37. Latest projections, based on current trajectory plans of children, suggest children in residential provision could reach 108 by end of March 2025 (26% increase vs budgeted MTFs 24/25 projection). Parent and child placements are also an increasing demand pressure compared to previous financial years. These are court ordered placements that require the local authority to keep babies with their parent pending assessments in court proceeding. The financial impact overall on this budget due to the change in demand is very significant when projected forward over the refreshed MTFs period. The graph

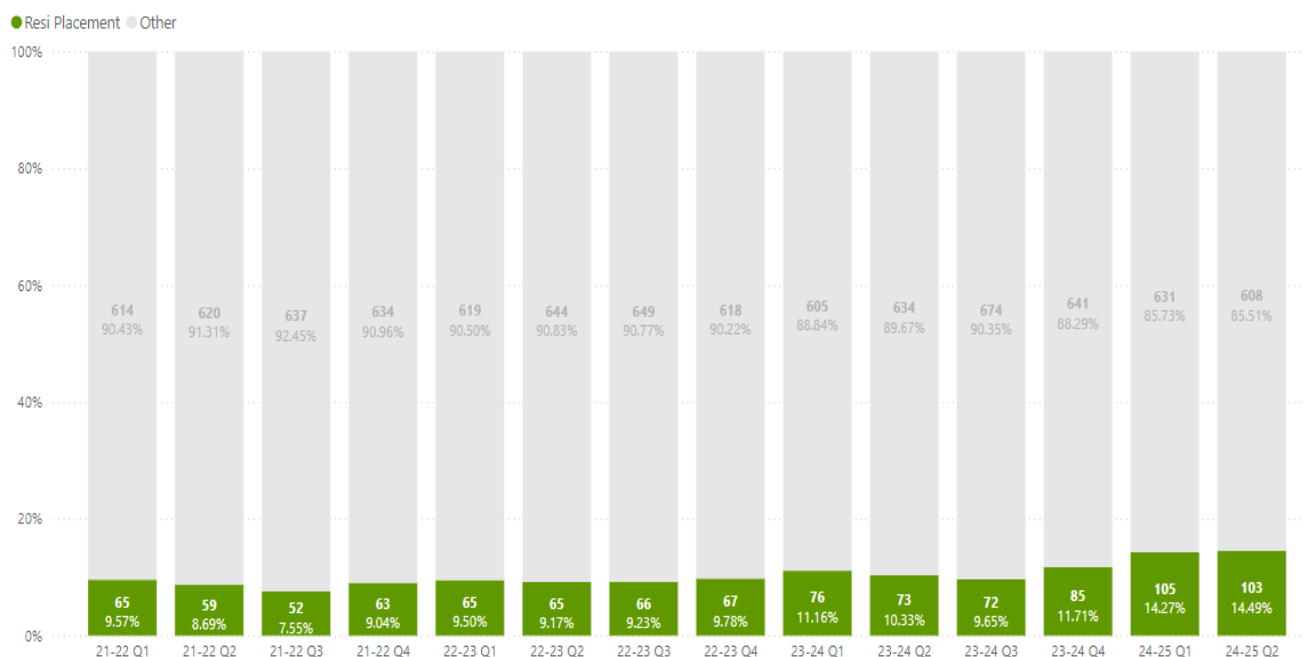
below illustrates the changing demand/numbers over time between Quarter 1 2021/22 and Quarter 2 2024/25.



38. The weekly cost of such provision is very costly at an average of circa £6k per week but can vary a lot depending on needs. The three key contributing factors impacting the cost of provision are:
- Cohort of children (those with the most appropriate fit for residential care): The department is seeing an increase in the complexity of young people taken into care and requiring a residential placement. This includes young people with complex mental health difficulties, violence and aggression as result of experiencing trauma, criminal exploitation, risk of harm to self and others, controlling behaviour, repeat missing episodes and court ordered deprivation of liberty.
 - Age of children entering residential provision: The rolling average age of those children entering residential provision as their first placement type has also decreased from an average 14 years in early 2021 to 10 years now. The age range of children and young people in residential settings is therefore widening, and in some cases children and young people may be in a residential setting for longer (having started to access it at a younger age).
 - Market pressures and sufficiency: A lack of provider capacity and volatility in the market, has significantly increased the cost of new placements compared to those placements ending. This is particularly challenging when searching for placements for children with a range of complex needs 'unattractive' to the market (needs) and results in the use of high cost (£12k+/ per week per child) interim provisions until behaviour stabilises or another placement can be found. Lack of step-down options from residential provision is also an issue. There are currently around nine children who have been waiting long periods to 'step down' to family-based placements that cannot be found. This is compounded by the low recruitment pipeline for mainstream carers, locally and nationally, which particularly impacts on availability of placements for older children and those with more complex needs.
39. There is a national trend of increasing numbers of children and young people in care. Leicestershire's looked after children (LAC) numbers have followed a similar trajectory and expected to see a stable to steady increase over the refreshed MTFS period. However, the placement mix of those LAC is resulting in significantly increased costs. The graph below shows how residential numbers (Inclusive of Parent and Child) as a

percentage of LAC in Leicestershire has increased over time to currently 14.49%. In comparison, the cost of this cohort equates to circa 60% of the total children's social care placement budget.

Percentage of Residential Placements Against LAC at Period End



40. The Department has been continually 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. The overall rate of Children in Care per 10k 0–17-year-old population (50 per 10,000) remains lower than comparator authorities (mean of 60 per 10,000) – see table below.

| | Gloucestershire | Warwickshire | Central Bedfordshire | Worcestershire | Hampshire | Essex | North Somerset | Staffordshire | Cheshire East | Leicestershire | Mean |
|---------|-----------------|--------------|----------------------|----------------|-----------|-------|----------------|---------------|---------------|----------------|------|
| 2019/20 | 57 | 65 | 51 | 70 | 57 | 35 | 54 | 73 | 70 | 47 | 55 |
| 2020/21 | 62 | 73 | 51 | 73 | 59 | 35 | 50 | 74 | 67 | 50 | 57 |
| 2021/22 | 66 | 69 | 51 | 76 | 61 | 36 | 47 | 77 | 67 | 49 | 58 |
| 2022/23 | 67 | 64 | 58 | 84 | 66 | 37 | 51 | 81 | 72 | 48 | 60 |
| 2023/24 | 65 | 64 | 54 | 87 | 67 | 36 | 58 | 76 | 66 | 50 | 60 |

41. 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 Barnardo's as part of the Children's Innovation Partnership (CIP).

**** G2 – Front Line Social Care Staff – Increased Demand and Caseload Management
£0.5m 2025/26 rising to £0.75m by 2027/28**

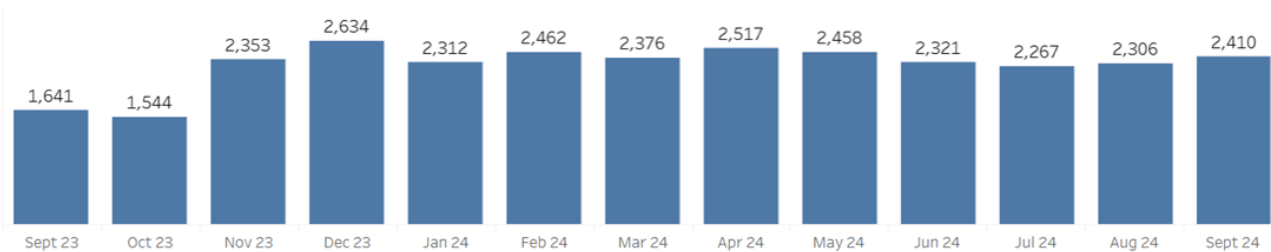
42. Investment in additional front-line social care staff capacity is required to ensure appropriate caseload levels and to continue to meet statutory duties. Assumptions around caseloads and the resources required in each team were reviewed as part of the Defining Children and Family Services for the Future programme and the social care pathway continues to be reviewed to ensure the most appropriate resources are engaged at the right time.
43. This growth is to provide for increases in demand in relation to the First Response Central Duty service. The Service has experienced an increased demand in terms of contacts and an associated increase in referrals since November 2023. Due to timing, this pressure and subsequent actions have not been built into the MTFs for Financial year 2024/25 so is currently being reflected in year as an unfunded budget pressure as part of in year budget monitoring.



Completed Contacts

Data updated to end of 24/10/2024

Contacts per month, progressed to request



44. A substantial amount of screening time is now spent capturing and responding to partner requests for information – this is an important foundation for multi-agency safeguarding and will continue to be a significant part of the role of the front door.
45. At the same time increases in joint working in response to harm outside the home as set out in Working Together 2023 have seen increased joint responses, when historically single agency police action may have been expected. The service has also applied strong and clear responses to neglect and is careful not to use consent as a barrier to take decisive action. Concern about poor home conditions or neglect including anonymous referrals, are processed quickly for assessment so that the child can be seen. Further work to strengthen application of consent alongside review of strategy discussion threshold, and to reduce re-referrals has formed part of the ongoing strengthening work.
46. The most significant impact of this work has been the increase in contacts being processed in Screening. Each contact requires uploading into the service's line of business system - Mosaic, oversight by a social work manager and any further screening activity to test against the statutory threshold. Once this activity is completed it requires further oversight by a manager to confirm outcomes including those that lead to No Further Action.
47. This is a complicated process that requires different roles to work in sync across Business Support, support staff, social workers, senior practitioners and managers. It is

a process that has benefited from substantial changes over the course of the year with work refocused into Mosaic and roles and responsibilities of workers now better aligned.

48. The aim is to provide timely responses to partner agencies, and to identify those children that require interventions and direct them to the correct pathway. For children exposed to safeguarding risk this means urgent responses to escalate to a strategy discussion, and timely completion of a social work assessment.
49. The increase in contacts has shown further impact more generally on number of referrals and assessment being completed in the system. Both manager and social work capacity is required to respond at each stage of the process.
50. The Department continues to have the highest number of referrals recorded when comparing average monthly figures from 2019 together with increased percentages of those referrals converting into Assessments.

| <u>Year</u> | <u>Average monthly referrals</u> | <u>% conversion to Assessment</u> |
|--------------------|---|--|
| 2019 | 434 | 86% |
| 2020 | 464 | 91% |
| 2021 | 436 | 89% |
| 2022 | 411 | 89% |
| 2023 | 452 | 81% |
| 2024 | 515 | 88% |

51. It is essential to meet such statutory responsibilities that the Service has sufficient capacity through budgeted growth to respond to demand – and that this is used effectively, and timely responses are in place to prevent delay in responses impacting on the safety of children.

****G3 – Post Transforming SEND and Inclusion in Leicestershire (TSIL) sustainability - £0.9m 2025/26**

52. The TSIL programme is now well into its ‘implementation phase’, with the majority of the designed changes having been implemented across the target areas – ranging from specific teams in LCC to the entirety of the SEND system in Leicestershire. This will deliver significant improvements and savings. The programme predominantly aims to deliver solutions to this for new entrants into the SEND system, and not to inappropriately change provision for a child.
53. The TSIL programme has considered workload and performance within the Special Educational Needs Assessment (SENA) Service. The service is responsible for

delivering the local authorities statutory duty under the SEND Code of Practice to carry out statutory assessment and review of children and young people who have an EHCP from age 0 – 25, write Education Health and Care (EHCP's) plans and identify and secure the provision to meet the needs and are key contributors to meeting the 20 week statutory timeline for assessments but are dependent upon other advice givers to do so.

54. The review identified that the current model was failing to achieve statutory duties;
- i. 1% of new EHCP's were delivered on time
 - ii. 10% of EHCP amendments were completed in the required 12 week
 - iii. 33% of annual reviews were completed
 - iv. 12% of phase transfers were completed on time
55. A review of the SENA service considered 'ways of working' as well as capacity. A new operating model has created three specialist teams focusing on assessments, reviews and placements. This will improve productivity by creating expert teams in each of these areas and is estimated to improve productivity by c30%. The review also considered capacity from a performance perspective but also the current position of agency staff.
56. Approved growth in financial year 2024/25 enabled the service to improve KPI performance to successfully deliver cost reductions and processes continue to be reviewed and are now more robust with an ongoing focus on continuous improvement. This additional growth for financial year 2025/26 onwards will stabilise new processes and ensure sufficient permanently budgeted capacity exists across the service to manage projected demand, as well as sustain and improve current KPI performance. Workflow tracking will allow the effective management of staffing levels to respond to peaks and troughs in service demand as well as changing trends with a clear link between staffing needs and service volume.
57. Under the Schools and Early Years Finance (England) regulations the costs of the SEN assessment service falls to the local authority budget. However, the financial benefit is through reduced placement costs which, under the same regulations, fall to be met from High Needs Designated Schools Grant (HNDSG). Whilst local authorities cannot directly contribute to DSG without the permission of the Secretary State, this position clearly sets out the contradictory nature of the SEN funding system.
58. The achievement of some TSIL benefits is also dependent upon the delivery of the above but also sufficient capacity to engage proactively with parents and schools, managing performance through case tracking and understanding specialist provision particularly the capacity they have and the children they can best support. To respond to this position and mitigate its impact on both the delivery of statutory duties and programme savings this growth is considered necessary to ensure budgeted capacity aligns with current service need within the MTFs, with such service infrastructure being one of the key enablers in achieving the £52.1m of total cost reductions over the next four years built into the MTFs against projected high needs spend.

****G4 – Unaccompanied Asylum-Seeking Children (UASC) – Increased demand and cost £3.25m 2025/26 rising to £11.2m 2028/29**

59. The projected financial pressure in relation to the Unaccompanied Asylum-Seeking Children (UASC) budget is largely due to the continued increase in UASC in care and care leavers, which has required a greater resource requirement to meet their needs.

The impact of the development of dispersal hotels and the National Transfer Scheme (NTS) protocol development has resulted in an increase in the number of children who are UASC being accommodated by Leicestershire. Local authorities are mandated to receive UASC through the NTS if they are below their 0.1% threshold, which is calculated from the number of UASC funding claims (for under-18s) made by that local authority, and the latest ONS estimate of that local authority's total child population at that time. In Leicestershire's case, the 0.1% threshold currently equates to 140 Looked After Children UASC aged under 18. No consideration is given to the number of UASC care leavers aged 18+, which means the Council continues to have more demand for care leaver services and the current funding for care leavers decreases, but the demand grows. The Council is working with the East Midlands Council's Strategic Migration Partnership which continues to challenge the situation with the Home Office.

60. The number of UASC care leavers is projected to grow to over 200 by the end of the financial year, which includes a number of UASC Looked After Children who will have turned 18 in the next six months. In addition to the UASC care leaver numbers growing, the Council will also receive more referrals from the NTS as it is likely to fall below the 0.1% threshold level of 140 Looked after Children numbers. Overall, this is a significant demand and financial pressure. The table below shows despite a reduction in the weekly unit cost, the increase in demand over time, which is more pertinent for the UASC care leaver cohort when funding drops to circa £270 per week per child supported (circa £1k p/w when UASC in care), and therefore an increasing budget pressure over the period of the refreshed MTFS.

| | UASC In Care (Under 18's) | Weekly Unit Cost of Comissioned Placement where needed | % Annual Change (Service Users) | % Annual Change (Unit Cost) | UASC – Care Leaver (Over 18's) | Weekly Unit Cost of Comissioned Placement where needed | % Annual Change (Service Users) | % Annual Change (Unit Cost) |
|--------|------------------------------------|--|---|---|--|---|---|---|
| Mar-22 | 60 | £860 | | | 69 | £790 | | |
| Mar-23 | 97 | £1,060 | 62% | 23% | 112 | £920 | 62% | 16% |
| Mar-24 | 132 | £1,130 | 36% | 7% | 163 | £1,070 | 46% | 16% |
| Sep-24 | 95 | £1,000 | -28% | -12% | 198 | £800 | 21% | -25% |

***G5 – Demand Management- £0.1m 2025/26 rising to -£1.24m by 2028/29**

61. A growth reduction target to further mitigate the risk of demand-led growth. It is anticipated that through a combination of existing change programmes, and business as usual activities, with a strong focus and alignment of the national rollout of family help – a whole-family preventative service, that risk factors can be pro-actively managed as a means to mitigate demand.

G6 –Children In Need Financial Support (Section 17/23) £0.75m from 2025/26

62. Under the Children Act 1989, under section 17 and 23, financial support may be provided to children in need, when assessed threshold levels have been met fulfilling the local authority's duty to 'safeguard and promote welfare of children who have been assessed as in need'. Without such support it is very likely this could escalate needs of

the children, and subsequently greater risk of the children entering the care system at greater costs. Updated practice standards are now fully embedded across all services which acts as the internal framework which sets out eligibility criteria, and the approval and governance process which needs to be followed. MTFS growth will allow current and projected spend to align more closely with budget, which to date is currently significantly overspent.

Savings

63. Details of proposed savings for the local authority budget are set out in the table below and Appendix C and total £5.6m in 2025/26 and £16.94m over the next four years.
64. Additionally, the MTFS 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) Cost reductions of £52.083m are forecast over the period of the MTFS but an annual deficit continues.

| References | | | | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|-----|---------|--|---------------|---------------|----------------|----------------|
| | | | | £000 | £000 | £000 | £000 |
| <u>SAVINGS</u> | | | | | | | |
| <u>CHILDREN & FAMILY SERVICES</u> | | | | | | | |
| ** | CF1 | Eff | Innovation Partnership - Creation and investment in Internal Residential provision | -750 | -1,250 | -1,750 | -2,000 |
| ** | CF2 | Eff | Departmental establishment modelling / Re-design | -390 | -390 | -390 | -390 |
| ** | CF3 | Eff/SR | Defining CFS For the Future Programme - Phase 2 - Social Care Workforce Strategy (Recruitment and Retention) | -250 | -500 | -900 | -900 |
| ** | CF4 | Eff | Reduced Care Costs through growth of internal family based placements | -150 | -450 | -750 | -1,000 |
| ** | CF5 | Eff/Inc | Smarter commissioning, Procurement and Demand Management - Social Care Placements and externally commissioned services | | | | |
| | | | Strand 1 - Contain & Minimise impact of market cost pressures for children placements - external providers | -910 | -2,180 | -3,900 | -6,300 |
| | | | Strand 2 - Review of care packages /cost (Pro-active and Reactive) ensuring value for money and effectiveness | -1,400 | -2,050 | -2,450 | -2,850 |
| | | | Strand 3 - Development of a wide range of other accommodation and support options. | -1,000 | -1,250 | -1,500 | -1,500 |
| | | | Strand 4 - Increased Partner Income | -750 | -1,500 | -1,850 | -2,000 |
| | | | TOTAL | -5,600 | -9,570 | -13,490 | -16,940 |

The following paragraphs provide the detail of each savings item;

**** CF1 (Eff) Children's Innovation Partnership - Residential re-design – Creation and investment in internal Residential provision - £0.75m in 2025/26 rising to £2.0m by 2028/29**

65. 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.
66. With an increasing shortage of residential placements for children and young people, market pressures driving costs and an increasingly profit driven market, the appetite is for local authorities to invest in their own residential capacity. The Department for Education (DFE) are encouraging this with match funding capital investments.

67. The overall ambition is to create eight homes providing provision for 23 child placements servicing a wide range of different need types. This reduces the over-reliance on the private sector and providing support to children and young people in a holistic way, keeping the number of children and young people requiring residential care within Leicestershire, close to their families and services like school, CAMHS, their social workers. It is anticipated by end of the financial year 2025/26 all homes be open and operational with children placed in them
68. The profile of homes will specifically focus provision type aligned to emotional and behavioural disorders, parent and child assessments and other complex needs.
69. Investment of £5.96m has been included in the capital programme over the life of this programme of which there is £2m approved grant funding from the DFE. Based on the market prices of external placements – the current profiled savings profile is viewed as realistic and achievable based on increased internal sufficiency.
70. To date, the current pipeline and progress with this programme is listed below
- a. Three Emotional and behavioural disorder (EBD) homes – match funded by Department of Education. First two homes opened May 2023 and November 2024, with the third expected to open January 2025;
 - b. One Parent and Child residential home- opened January 2024;
 - c. One EBD Assessment residential home- match funded by the Department of Education opened December 2024;
 - d. One Child Sexual Exploitation (CSE)/ Child Criminal Exploitation (CCE) residential home- match funded by the Department of Education due to open January 2025 (*currently awaiting final OFSTED visit date*);
 - e. One Overnight short breaks (OSB) residential home - match funded by Department for Education is currently being renovated and expected to open late March 2025;
 - f. One complex need home - match funded by Department for Education, to open by the end July 2025.

****CF2 (Eff) Departmental Establishment Modelling/ Redesign - £0.39m from 2025/26**

71. In response to national and local challenges recruiting and retaining social workers and increasing numbers of Children In Need, this 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, resulting in a greater use of non-social work qualified staff to support families deemed to be children in need. The outputs will contribute to the above saving target by up to £200k from April 25.
72. The remainder of the savings will arise from other service re-designs which have taken place this financial year with the full year impact in terms of savings being realised from April 25. Such re-design and reviews include structure changes to safeguarding and practice excellence service areas seeking to deliver current functions and activities effectively, but as efficiently as possible.

****CF3 (Eff/SR) Defining CFS for the Future Phase 2 (DCFSF2) – Social Care Workforce Strategy (Recruitment and Retention) £0.25m in 2025/26 increasing to £0.9m by 2027/28**

73. As part Defining Children and Family Services for the Future programme 2 (DCFSF2) was the need for a review of the social care workforce strategy. In doing so, one of the key outputs was stronger focus on recruiting international social workers, increasing the number of newly qualified social workers and ensuring a fit for purpose and attractive offer exists for social workers wanting to be take up employment in Leicestershire. Together with recent social care reform announcements around new agency employment rules which will further aim to reduce the over-reliance on the agency market, this savings plan will therefore target a 50% reduction of the number of social worker agency staff over the refreshed MTFS period.

****CF4 (Eff) Reducing Care Costs through growth of internal family-based placements - £0.15m in 2025/26 rising to £1m by 2028/29**

74. This saving programme is focused on outputs which will avoid placements entering more costly provision, primarily in the external market;
- Increase of internal fostering placements;
 - Utilisation of internal foster placements;
 - Increase of Special Guardianship Orders (SGO).
75. For example, the Service works to achieve targets for recruitment of foster carers, specialist foster carers and other types of carers such as special guardians. The principles of this activity include ensuring that children are living within or close to their communities, have access to their local resources and reduced spend on more costly services through Independent Fostering Agencies (IFA).

CF5 (Eff) Smarter commissioning, Procurement and Demand Management – Social Care Placements and externally commissioned services - £4.1m in 2025/26 rising to £12.65m by 2028/29

76. The sufficiency duty (section 22G of the Children Act 1989) requires local authorities to do more than simply ensure that accommodation be 'sufficient' in terms of the number of beds provided. They must have regard to the benefits of securing a range of accommodation through several providers. The accommodation must also meet the needs of children. In addition to this, there is a duty to delivery statutory services either through internal provision or through commissioned services.
77. CFS delivers these duties through the CFS Commissioning Service. Functions include brokerage (search for, match and procurement of placements on and off framework for children in foster care, residential provision, supported accommodation and independent special schools), quality assurance of these provision, stimulating the market through an annually produced Market Position and Sufficiency statement and related activity to secure beds and other services e.g. through mini competitions, block contracts, invitations to tender. The Service is also responsible for ensuring compliant spend throughout the department, achieving value for money and compliance of delivery of all these contracts.
78. The most significant area of growth in children's services is in the cost of residential placements. This issue is reflected nationally because of the spiralling costs of placements for children in residential provision. This issue is in part linked to the increased complexity of children for whom the department needs to find placements, but in the main is linked to market pressures.

79. To impact and mitigate future growth in the CFS department there is greater need to have a clear focus on how the Department commissions placements and exploration of other commissioning models, alongside the development of in-house provision. This also includes the need for greater focus on brokerage/negotiation, quality assurance and contract management.
80. This savings workstream can be broken down into four different strands:
- a. Strand 1 to deliver £6.3m savings – This is to be achieved through containing and minimise impact of market cost pressures for children placements that are with external providers. One of the key activities to achieve this will be by having a robust and consistent process, with the appropriate governance that can review and challenge the appropriateness of any annual provider uplift requests based on new changing market cost pressures.
 - b. Strand 2 to deliver £2.85m savings – This is to be achieved through a regular review of care packages and cost, ensuring value for money and effectiveness. This will include both a pro-active and reactive review of all residential and supported accommodation child placements, to identify opportunities to reduce placement cost, facilitate appropriate step-downs, or review of support based on children and young people needs.
 - c. Strand 3 to deliver £1.5m savings – This is to be achieved through development of a wide range of other accommodation and support options. For example, work to ensure that accommodation and support models meet current and forecast demand and need. This includes considering if there are alternative (and potentially more cost-effective) models that could be commissioned, continuing to refine internal commissioning processes (and to reflect any changes to ways of working with the market) and ensuring that sufficiency needs are reflected in priority procurement planning and activity.
 - d. Strand 4 to deliver £2m savings – This is to be achieved through increased partner income through work to ensure that where appropriate, funding contributions from partners is agreed and contributions received to better reflect the role and responsibilities of partner agencies in supporting the needs of children as appropriate and required.

Savings Under Development

81. The financial climate for the Council, along with other Local Authorities remains challenging and to bridge the significant funding shortfall projected in future years; each department is required to identify additional savings. Outlines of the proposals have been included as Appendix E, Savings under Development. Once business cases have been completed and appropriate consultation and assessment processes undertaken, savings will be confirmed and included in a future MTFs. This is not a definitive list of all potential savings over the next four-years, just the current ideas.
82. Considering the ongoing and increasing scale of the challenge faced by the Council to balance the MTFs, existing financial control measures are continuing to be reinforced to ensure a tight focus on eliminating non-essential spend. Inevitably further savings

beyond those identified in this report will be needed and where possible included in the final MTFS.

Dedicated Schools Grant

83. For 2025/26 the Dedicated Schools Grant (DSG) continues calculated in four separate blocks as set out below;

| Funding Block | Areas Funded | Basis for Settlement |
|--|---|---|
| <p>Schools Block Est £564.021m consisting of;</p> <ul style="list-style-type: none"> • School formula funding £561.885m • School Growth which of £2.136m | <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 authority's duty to ensure a sufficient number of school places. This funding meets pre opening costs and the cost of the revenue budget for the first 7 months of opening, at that point funding is within school formula funding</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 Leicestershire fully replicates the NFF. For maintained schools budgets are allocated directly by the local authority, for academies the funding is recouped from the DSG settlement by the Education and Skills Funding Agency (ESFA) who then directly funds academies.</p> | <p>The NFF 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: • a block allocation for school led factors. <p>These allocations are required to be fully delegated to schools, the only exception being any elements of de-delegated funding for maintained school agreed by the schools Forum following consultation with schools.</p> <p>The NFF means that all local authorities receive the same amount of funding for a number of pupil related characteristics. Differences in funding levels relate to the incidence and proportion of pupil characteristics within schools rather than differing funding levels.</p> <p>The allocation of funding to support new school growth will be retained to meet the future costs of new and expanding schools.</p> <p>In respect of school formula funding this represents a cash increase of 8.1%</p> |

| | | |
|---|---|---|
| <p>Central School Services Block £4.361m</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 by 20% annually as the DfE have an expectation that these financial commitments will naturally expire. Local authorities will continue to receive sufficient funding to meet school historic premature retirement costs.</p> |
| <p>High Needs Block provisional allocation £116.636m</p> | <p>Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and support services for high needs pupils including high needs students in further education provision.</p> <p>As with the Schools Block this includes funding for special academies and post 16 providers which is recouped by the ESFA who then directly fund academies.</p> <p>Confirmation of the 2025/26 grant is not expected until March 2025.</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 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 £2.8m (2%) through this element.</p> |
| <p>Early Years Est £109.191m</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. The entitlement to FEEE expands to 30 hours for eligible working parents of children 9 months – 2 years old from September 2025.</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 £5.71 per hour for 3- and 4-year-olds and the 2nd lowest rate of £7.53 per hour for 2-year-olds and</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 January 2024 census. The grant will be updated in July 2025 for the 2025 January census and again in June 2026 for the January 2026 census. The final grant will not be confirmed until June 2025.</p> | £10.18 per hour for under 2's. |
| £794.209m | 2025/26 Estimated DSG | |

84. The 2025/26 MTFs continues to set the overall Schools Budget as a net nil budget at local authority level. However, an annual funding gap remains of £15.32m on the High Needs Block which will be carried forward as an overspend against the grant. Cumulatively the deficit on the High Needs Block is forecast at £79.4m for 2025/26, rising to £116.2m in 2028/29.
85. An overall deficit in DSG of £67.5m in 2025/26 rising to £108.8m in 2028/29 is forecast as a result of a surplus in the school block arising from funding to meet the revenue costs of new and expanding schools growth set aside for use in future years.

Schools Block

86. School funding remains 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, as such all local authorities are funded equally. However, within the NFF only the per pupil entitlement is universal to all pupils with other factors reflecting the incidence of additional pupil needs such as deprivation and low prior attainment. Whilst all authorities are funded equally funding levels between local authorities and individual schools within those local authorities vary purely as a result of the proportion of pupils with additional needs. Nationally basic per pupil funding accounts for 74.6%, additional needs 17.8% and school led and premises funding 7.6% of the NFF.
87. The 2025/26 Schools Block DSG settlement is £561.885, an overall cash increase of 8.4%.
88. Whilst the NFF for schools is based upon the 2024 School Census, funding for local authorities is based upon the pupil characteristics recorded in the 2023 school census. Any increase in pupils eligible for additional funding, i.e. free school meals is unfunded

and as for 2024/25 may result in it not being possible to meet the cost of fully delivering the NFF from the Schools Block DSG. Initial modelling identifies a funding gap created by an increase in the number of pupil eligible for Free School meals and pupils with English as an Additional Language. The national regulations allow for an adjustment to the Minimum Funding Guarantee which can be used in conjunction with capping and scaling within the school funding formula to ensure the budgets for schools are affordable within the Schools Block DSG. This was required for 2024/25 and will be required to 2025/26 will be additional to the capping and scaling required to enact the funding transfer from the school block to the high needs block.

89. Additionally, 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 which is confirmed at £2.1m. This funding meets the costs of school growth currently within the system that is not fully completed, largely new schools not yet with their full contingent of year groups, and school expansions undertaken from September 2025. Once new places for September 2025 have been confirmed this will be combined with revised expectations on when new schools arising from housing growth will open to assess the full call on the grant.

School Funding Formula

90. Nationally schools will receive a minimum per pupil increase for 2025/26 of +2.23% per pupil and includes provision for the full year cost of the 2024 Teacher pay award. The settlement identifies the increase for Leicestershire schools is +1.88% for primary and +3.36% per secondary pupil and will be reduced further should the transfer of funding from the schools to high needs block be approved. Final school budgets will differ to the school level data published by the DfE in November as allocations are updated to reflect the 2024 census data, premises funding outside the NFF are added and any capping and scaling is applied.
91. The DfE has taken further steps towards the full implementation of the NFF in 2025/26 by requiring local authorities to be within + /- 2.5% of the nationally set NFF levels and only use these factors within their local funding formula. This has required Leicestershire to seek permission to continue to fund rental costs in some small schools and maintain the approach to funding schools undertaking and affected by age range changes by adjusting pupil numbers which has been in place since 2013. With these exceptions, assuming approval from the DfE, the Leicestershire funding formula remains fully in accordance with the NFF.
92. Primary schools will receive a minimum of £4,955 per pupil and Secondary schools £6,465, the minimum per pupil funding level is mandatory and a schools block transfer cannot reduce funding below this level. 37 primary schools and nine secondary school are expected to be funded at the funding floor (2024/25 34 primary and one secondary) respectively leaving them vulnerable to changes in future levels of DfE protection. As the funding guarantee is at a per pupil level, schools with decreases in pupil numbers will see an overall decrease in budget allocation. Reducing numbers in primary schools are being seen as a result of an decreasing birth rate and is resulting in financial vulnerability that cannot be addressed purely by changes to internal staffing structures.
93. The uplift in the NFF values includes funding to meet the full year costs of the 2024 Teachers' pay award. There is no indication of whether there will be additional funding

for any 2025 pay increase and the cost of meeting the local government pay settlement falls to be met within NFF allocations.

Schools Block Transfer

94. Schools were consulted on a transfer of 0.5% funding from the Schools Block to the High Needs Block of the DSG for 2025/26 and then annually with funding allocated to a SEND Investment Fund to deliver focused and targeted actions to increase capacity in mainstream schools to support and meet needs of pupils with Social, Emotional and Mental Health (SEMH) needs which is significant driver in the continued increase in EHCP's.
95. Schools Forum did not approve the proposed transfer and the establishment of SEND Investment Fund at their meeting on 4 November 2024. On 22 November 2024 Cabinet gave authorisation to the Director of Children and Family Services to seek a decision from the Secretary of State. The Secretary of State has subsequently approved the proposals as set out in consultation.
96. To enact the transfer, it is necessary to cap the gains in funding to individual schools between 2024/25 and 2025/26 but ensure that schools receive the national mandatory minimum per pupil funding levels. Given the timing of the Secretary of State decision, the receipt of the data from the DfE required to build school budgets, the complexity of the task particularly given the affordability gap and the timescales set by the DfE for the completion of school budgets it has not been possible to determine the full impact on individual schools at the time of writing this report.
97. Local authorities are required to submit their funding formula to the Education and Skills Funding Agency (ESFA) by 22 January 2025 in order that the proposals can be validated as compliant with financial regulations which is required in order to release school budgets for maintained schools in February and inform the budgets issued by the ESFA to academies in March.

High Needs

98. The structure of the High Needs NFF is unchanged from 2024/25. The provisional settlement at £116.6m and is a 7% increase per head of population. However, it should be noted that the population factor accounts for just £43.8m (38%) of the settlement figure meaning that 62% of the formula, and funding for special schools, is subject to no uplift unlike the schools NFF where all funding factors have been increased for 2025/26.
99. Leicestershire remains at the funding floor i.e. the application of the high needs NFF would generate a lower settlement without this protection. The NFF remains unresponsive to changes in the overall SEN population and does not take into account the number of children and young people with an Education, Health and Care Plan (EHCP):
 - £10.1m (9%) of the NFF is driven by the number pupils in special school and independent school places;
 - £30.1m (26%) of the formula relates to historic spend from 2017/18;
 - £2.8m (2%) of the formula is from the funding floor.

100. Future government policy in respect of SEND has yet to be confirmed. However, the Policy Note that presents the 2025/26 funding arrangements sets out that the DfE are working on a range of reforms which will establish a mainstream school and college environment that is more inclusive for children and young people who require specialist SEND support. There is no indication of whether the high needs NFF will be reviewed.

101. Cost reduction savings totalling £52.1m are built into the MTFs and fall into three areas:

| | 2025/26 £,000 | 2026/27 £,000 | 2027/28 £,000 | 2028/29 £,000 |
|--|------------------|------------------|------------------|------------------|
| TSIL Programme | | | | |
| Reduction in the number of EHCP Needs Assessment Requests | -714 | -1,285 | -1,832 | -2,271 |
| Reduced Mainstream EHCP Cost | -974 | -1,660 | -2,340 | -2,737 |
| Reduction in the number of Early Years Specialist Starts | -1,312 | -1,945 | -2,584 | -3,230 |
| Reduction in the number of Non Early Years Specialist Starts | -3,912 | -6,792 | -9,850 | -12,219 |
| Reduction in Non Early Years Specialist Cost | -3,912 | -6,792 | -9,850 | -12,219 |
| Health Contributions | -1,560 | -1,560 | -1,560 | -1,560 |
| Sub Total - TSIL Programme | -12,384 | -20,034 | -28,018 | -34,237 |
| | | | | |
| Development of additional Specialist Places | -389 | -4,252 | -11,193 | -14,486 |
| Return on Investment - SEND Investment Fund | 0 | -2,600 | -2,970 | -3,360 |
| | | | | |
| Total Savings / Cost Reduction | -12,773 | -26,886 | -42,180 | -52,083 |

Transforming SEND and Inclusion in Leicestershire – Through reducing the number of starts in specialist provision, improved decision making and consistency in allocation of resources, the TSIL programme is forecast to reduce cost by £12.4m in 2025/26 rising to £34.2m in 2028/29. The programme is a seven-year programme with total of £36.5m of cost savings achieved in the seven years to 2028/29.

Additional Local Specialist Places - Overall, over the MTFs period a total of 254 additional places are scheduled to be delivered, which will be achieved through the completion of the Bowman Free School in Shepshed, the Farley Way Special Free School in Quorn and expansion of current provision in both special schools and resource bases. This is estimated to result in a cost reduction of £0.4m in 2025/26 rising to £14.5m in 2028/29 by meeting pupil needs in local provision without the need for a higher cost independent school.

SEN Investment Fund – 2025/26 will see the priority activities of the investment fund and its governance arrangements established which will be fully co-produced with schools. No return in investment is expected in 2025/26 with the activities delivered increasing inclusion in schools and reducing the number of EHCP's from 2026/27.

102. The forecast position on the High Needs element of the DSG over the MTFs period is shown financial forecast continues to assume from the approval for the transfer of funding from the schools block to high needs, the establishment of the SEND Investment Fund and a future return on investment from it on an annual basis as set out within the school consultation in the autumn:

| | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|---------|---------|---------|---------|
|--|---------|---------|---------|---------|

| | £,000 | £,000 | £,000 | £,000 |
|--|----------------|----------------|----------------|----------------|
| Grant Income | -117,413 | -120,912 | -124,516 | -128,228 |
| Placement Costs | 133,176 | 147,214 | 163,382 | 181,901 |
| Other HNB Cost | 12,265 | 12,865 | 12,865 | 12,865 |
| Pre Opening Costs - New Places | 0 | 264 | 236 | 0 |
| Schools Block Transfer | -2,600 | -2,600 | -2,600 | -2,600 |
| SEND Investment Fund | 2,600 | 2,600 | 2,600 | 2,600 |
| Total Expenditure | 145,441 | 160,343 | 176,483 | 194,766 |
| Funding Gap Pre Savings | 28,028 | 39,431 | 51,966 | 66,537 |
| TSIL Programme Defined Opportunities | -12,384 | -20,034 | -28,018 | -34,237 |
| Increase in Local Specialist Places | -389 | -4,252 | -11,193 | -14,486 |
| SEND Investment Fund - Return on Investment | 0 | -2,600 | -2,970 | -3,360 |
| Total Savings | -12,773 | -26,886 | -42,180 | -52,083 |
| Annual Revenue Funding Gap | 15,255 | 12,545 | 9,786 | 14,454 |
| 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 | 6,683 | | | |
| 2023/24 High Needs Deficit Brought Forward | 5,650 | | | |
| 2024/25 Forecast High Needs Deficit Brought Forward | 22,930 | | | |
| Cumulative High Needs Funding Gap | 79,368 | 91,913 | 101,699 | 116,153 |
| Surplus (-ve) / Deficit Other DSG Blocks | -11,834 | -10,834 | -9,334 | -7,334 |
| Dedicated Schools Grant Surplus (-ve) / Deficit | 67,534 | 81,079 | 92,365 | 108,819 |
| High Needs Spend as % of High Needs DSG | 125% | 133% | 143% | 153% |
| Surplus / Deficit as % of Total DSG | 10% | 11% | 13% | 15% |

103. Local authorities are required to carry forward DSG as an unusable reserve through the continued use of a Statutory Accounts override and may only now contribute to DSG with the approval of the Secretary of State. The accounts override legislation is confirmed to March 2026 when it is expected to end. Unless further legislation changes this, from this point local authorities will be required to make financial provision for the deficit.

104. It is nationally recognised that additional funding alone will not address the financial difficulties many of which are created by a system where school and parental expectations have a greater influence than a local authority assessment of needs, appropriate provision and affordability. It is clear that policy changes are needed. Whilst the DfE's Change programme may deliver some of that change in the long term there

are no short- or medium-term solutions to address the financial challenges. At the continued 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, are successful, but additional measures put in place to reduce both demand and costs.

Central Services Block

105. 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 settlement is £4.4m for 2025/26.
106. 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 pension costs.

Early Years Block

107. The provisional Early Years Block is £109.2m and funds both the entitlement to Early Years Education for 2025/26 as set out below and the costs of early years' service. The entitlement for 2025/26 is;
- 15 hours for eligible working parents for children aged 9 months to 2 years. This will extend to 30 hours in September 2025.
 - 15 hours for 2 years olds requiring additional support, this was formally disadvantaged 2 year olds
 - Universal offer of 15 hours for 3 and 4 year olds
 - 15 hours entitlement for work parents for 3 and 4 year olds
108. Leicestershire will receive £5.71 per hour for the 3 – 4-year-olds, £7.53 for 2-year-olds and £10.18 for under 2's. Local authorities are required to pass through a minimum of 96% of the settlement to providers, the remaining 4% meeting the cost of the Early Learning and Childcare service. There is also the continuing need to recoup the early years deficit recorded in 2022/23. The Early Years DSG deficit as at 31 March 2024 was £3.1m. The plan is to clear this deficit over 4 years which would be by March 2027. Taking the above into consideration, work is underway within the Service to enable the local authority to calculate and notify providers of their funding rates no later than 28 February 2025.

Capital Programme

109. The proposed Children and Family Services capital programme totals £83.1m, for which the majority (£62.3m) there is external funding or capital receipts expected, and £20.6m prior years' external funding held in reserves, resulting in £225k 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 D.
110. The programme continues to focus upon the delivery of additional primary and secondary school places and additional places to be delivered to support the

Transforming SEND and Inclusion in Leicestershire (TSIL) programme. £50.1m is proposed to be invested in the provision of additional placements; £20.4m for SEN and £12.6m 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 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|------------------------------------|----------------|----------------|----------------|----------------|---------------|
| Additional School Places | 34,752 | 10,614 | 4,052 | 700 | 50,118 |
| SEND Programme | 2,000 | 8,458 | 10,000 | 0 | 20,458 |
| Other Capital | 4,115 | 2,848 | 2,800 | 2,800 | 12,563 |
| Total | 40,867 | 21,921 | 16,852 | 3,500 | 83,140 |

Provision of Additional School Places

111. The investment in additional school places totals £50.1m over four years including £34.8m next year. The programme is funded through the Basic Need grant from the DfE and S106 developer contributions.

SEND Programme

112. The four-year investment in the SEND programme is £20.4m and includes High Needs Capital Grant funding received from the DfE in previous years.

Other Capital

113. There is £12.6m “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)
- £1.2m to invest in improvement in schools access and security
- £225k investment in residential properties within the Children’s Innovation Partnership (CIP) with more details outlined in the savings section above.

Funding Sources

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

| Capital Resources '£000 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|--------------------------------|----------------|----------------|----------------|----------------|--------------|
| Grants | 20,367 | 3,548 | 3,500 | 3,500 | 30,915 |
| External Contributions / S106 | 17,603 | 8,569 | 3,507 | 0 | 29,679 |
| Earmarked capital receipts | 0 | 1,672 | 0 | 0 | 1,672 |
| Discretionary Capital Funding | 225 | 0 | 0 | 0 | 225 |

| | | | | | |
|--|---------------|---------------|---------------|--------------|---------------|
| Prior Years' grant funding held in reserve | 2,672 | 8,132 | 9,845 | 0 | 20,649 |
| Total Resources | 40,867 | 21,921 | 16,852 | 3,500 | 83,140 |

115. Basic Need Grant - is received from the DfE based upon the need to create additional school places. Grant of £17.1m has been confirmed for 2025/26 and included in the programme. The DfE has delayed the announcement of future years grant allocations until at least Spring 2025. 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.
116. High Needs Provision Capital Grant – in early December 2024 the DfE announced that there will be an allocation of High Needs Capital Grant for 2025/26 to support children and young people with special educational needs and disabilities (SEND) or who require alternative provision. However no indication was given of the LA level allocations, and what conditions may be attached to the funding.
117. 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.
118. S106 Contributions – it is estimated that a total of £29.7m of S106 contributions fund the proposed programme, of which £17.6m is in 2024/25. Estimates for the latter years of the MTFs are less certain and are dependent upon the speed of housing developments.

Background Papers

Report to Cabinet 17 December 2024 – Medium Term Financial Strategy 2025/26 to 2028/29
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7512&Ver=4>

Circulation under local issues alert procedure

None.

Officers to Contact

Jane Moore, Director of Children and Family Services
 Tel.: 0116 305 7441
 E-mail: Jane.Moore@Leics.gov.uk

Declan Keegan, Director of Corporate Resources
 Tel.: 0116 305 7668
 E-mail: Declan.Keegan@leics.gov.uk

Nerinder Samaria, Strategic Finance Manager (CFS)
 Tel.: 0116 305 7616

E-mail: nerinder.samaria@leics.gov.uk

Jenny Lawrence, Strategic Finance Manager (HN / SEN)

Tel.: 0116 305 6401

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

Appendices

Appendix A – Revenue Budget 2025/26

Appendix B – Growth 2025/26 to 2028/29

Appendix C – Savings 2025/26 to 2028/29

Appendix D – Capital Programme 2025/26 to 2028/29

Appendix E – Savings Under Development 2025/26

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