



SCHOOLS FORUM

12 FEBRUARY 2025

2025-26 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 2025-26 Dedicated Schools Grant Settlement for Leicestershire and the 2025-26 Schools Budget.
2. This report builds upon several reports presented through the 2024-25 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, Items 3 & 4).

5. That Schools Forum approve the centrally retained early years funding (Paragraph 17, Item 5).
6. That Schools Forum note the 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. (Paragraph 38).
7. That Schools Forum note the actions taken by the Local Authority in applying Capping to the National Funding Formula for the purposes of effecting a 0.5% transfer of funding from the Schools Block to the High Needs Block and to address an affordability gap (Paragraphs 36 - 42).
8. That Schools Forum notes the number and average cost of commissioned places for children and young people with High Needs (Paragraph 63).
9. That Schools Forum notes the approach to setting Early Years Provider payment rates for 2025-26 (Paragraph 68).
10. That Schools Forum approve the actions taken to align the Notional SEN Budget to the SEND population in schools and the action to be taken in respect of schools where it is insufficient to meet the aggregated value of High Needs Funding Element 2 (Paragraphs 76-78).
11. That Schools Forum note the average per pupil funding to be considered for recoupment for excluded pupils and other purposes (Paragraph 79).

Background

12. This report builds upon those presented to Schools Forum during 2024 and sets out the Local Authority's Schools Budget for 2025-26.
13. The Schools Budget is the term given overall to the services funded from Dedicated Schools Grant (DSG) and consists of budget for individual schools, revenue funding for new and expanding schools, prescribed centrally retained budgets held by the authority, early years, and high needs. Local authorities are required to set the Schools Budget at least equal to the amount of DSG received. For 2025-26 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 2025-26 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 Authority's statutory duties for all schools.
 - Early Years funds the free entitlement to early education for 2-, 3- & 4-year-olds, including the extended offer for 2-year-olds from April and September 2024 and a maximum of 4% allocated to meet for the cost of the services that support the early years sector.

- High Needs funds provision for pupils with SEN, services for children excluded from school or at risk of exclusion, Children with Medical Needs, and Specialist Teaching Services
15. The 2025-26 Children and Family Services Budget was considered by the Children and Family Services Overview and Scrutiny Committee on 21 January 2025, by the Cabinet on 17 December and on 7 February 2024, and the County Council will consider budget proposals on 19 February 2025 and is shown in full as **Appendix C**.

Role of the Schools Forum in setting the 2025-26 Schools Budget

16. The Central School Services Block holds the retained budgets for several 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 alluded to changes in Schools Forum responsibilities because 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 areas of expenditure that through legislation fall to be met through the Schools Budget and with decisions vested in the Schools Forum and which apply to all local authorities for 2025-26:

<u>Item</u>	<u>Approval For</u>	<u>Action</u>
1.	De-delegation from mainstream school budgets	A decision on de-delegation for School Improvement Services for maintained schools is required and is a separate item on the agenda. 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 Schools Forum are able to make de-delegation decisions.
2.	To create a fund for pupil number growth to support the Local Authority's duty for place planning and agree the criteria for maintained schools and academies to access this fund.	Schools Forum approved the policy for funding school growth from April 2024 at its meeting on 21 November 2023 A revenue budget to meet the cost arising from commissioning additional school places required to meet the basic need for sufficient school places. The proposed budget is £2.1 (2024-25 £2.3m)

3.	<p>Funding for the Local Authority to meet prescribed statutory duties placed upon it.</p> <p>This funding now includes funding for Local Authority statutory duties for all schools.</p>	<p>The budgets falling into this category are:</p> <ul style="list-style-type: none"> • Servicing the Schools Forum £8,570 (2024-25 £8,570), this budget meets the cost of operating the Schools Forum • Admissions £0.4m (2024/245 £0.4m). 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 £2.1m. This largely consists of recharges from services outside the Children and Families Department that support budgets funded from DSG such as finance, ICT, property. It also includes funding previously allocated as central teacher pension grant.
4.	<p>Funding for historic costs met by the Local Authority. Following the baselining exercise undertaken to determine the 2017/18 DSG baselines the Department for Education have set out their expectation that these costs should unwind over time and 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</p>	<ul style="list-style-type: none"> • Premature Retirement Costs £674,900 (2024-25 £674,900), these are historic costs relating to school staff where the commitment remains with the Local Authority and relates to both maintained schools and academies. This appears on the Human Resources line of the budget statement. • Miscellaneous £248,000 (2024-25 £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.	<p>Funding for the Local Authority's statutory responsibilities for early years provision as set out</p>	<p>Schools Forum are asked to approve expenditure of £3.6m.</p>

	annually by the DfE. Centrally retained funding, including any contingency, must not exceed 4% of the Early Years DSG.	
--	--	--

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 because of the Local Authority's statutory role in schools. Retention of these budgets is consistent with that of previous years and financial regulations.
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, because of this national contract individual schools no longer meet these costs directly. The Local Authority cost is determined by the DfE which has not been confirmed.

Dedicated Schools Grant

20. For 2025-26 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 £561.885m consisting of:</p> <ul style="list-style-type: none"> • School formula funding £559.749m • 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</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 several pupil related characteristics. Differences</p>

		<p>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>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 Services £4.361m</p>	<p>School Block</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>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 because of the introduction of the</p>

	Confirmation of the 2025-26 grant is not expected until March 2025.	formula. Leicestershire receives £2.8m (2%) through this element.
Early Years Est £109.191m	<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 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>	<p>The allocation is based on individual pupil characteristics and converted to a rate per hour of participation.</p> <p>Leicestershire receives the lowest rate of £5.71 per hour for 3- and 4-year-olds and the second lowest rate of £7.53 per hour for 2-year-olds and £10.18 per hour for under 2's.</p>
£792.073m	2025-26 Estimated DSG	

21. 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.
22. An overall deficit in DSG of £67.5m in 2025-26 rising to £108.8m in 2028-29 is forecast because 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

23. 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.

24. Local authorities remain able to set their own school funding formula, but the DfE require that formula values must be brought 10% closer to the NFF values. This has no impact on the Leicestershire formula which continues to fully mirror the NFF. Data published by the DfE shows that in 2024-25 123 (81%) of authorities set all formula factors within 2.5% of NFF values.
25. 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 because of the proportion of pupils with additional needs. Nationally basic per pupil funding accounts for 74.6%, additional needs 17.8% and school led & premises funding 7.6% of the NFF.
26. Approval for a transfer of 0.5% (£2.8m) funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant was sought from the Secretary of State and subsequently approved. The proposal includes the reinvestment of the funding into a SEND Investment Fund with a focus on building capacity in mainstream schools to meet the needs of pupils with Social, Emotional and Mental Health (SEMH). With approval of the transfer now granted the Local Authority is developing the detail of the fund including how it will be governed and its success measured. A return on investment through a reduction in special places is factored within the MTFs for 2026-27 onwards and an annual transfer of funding will be sought.
27. The DfE have been approached to confirm how many requests for a funding transfer were requested from the Secretary of State who said they could not provide that information. However, a survey undertaken by the Society of County Treasurers showed that of thirty authorities that responded and clearly shows a deteriorating High Needs position and transfer of funding from the school block being seen as a routine adjustment to the overall funding system:
 - In 2024-25 17 requests for transfers were submitted to Schools Forums of which twelve were agreed in full, one agreed at a reduced rate with 4 rejected but subsequently approved by the Secretary of State.
 - For 2025-26 just six respondents did not make a Schools Forum request. Eleven were successful in their requests (eight at 0.5%, three at 1%), whilst three received partial support (one from 0.75% to 0.5%, one from 0.5% to 0.25% and one from 1% to 0.25%), and five were rejected. Eight submitted requests to DfE, though one is likely to withdraw. This leaves two at 1%, one at 0.75% and four at 0.5% (two of which have been approved, one rejected).
28. The 2025-26 Schools Block DSG settlement is £561.885m, an overall cash increase of 8.4%. The increase reflects changes in pupil number as well as the national funding guarantees.
29. 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. For 2024-25 it has not been possible to meet the cost of fully

delivering the NFF from the Schools Block DSG. A funding gap of £0.7m was present because of an increase in the number of pupil eligible for Free School meals and pupils with English as an Additional Language between census dates. 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.

30. 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.
31. 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 because of pupil characteristics rather than national funding levels.
32. Local authorities remain responsible for setting their own local funding formula. However, the DfE have established significant restrictions and only minimal movements from the NFF are allowed. The Leicestershire funding formula reflects the NFF with two exceptions as additional to the NFF, the first being changes to pupil numbers and subsequent pupil funding protections for school affected by age range change and some funding for school required to rent either premises or playing fields. The former of these changes has been approved by the DfE, for the latter approval is contingent on the provision of lease agreements to the DfE.
33. 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. The DfE have changed the funding methodology for the grant and introduced minimum funding requirements linked to payment by place rather than by block allocations. This has in turn required a new policy to be adopted which links the payment rates received within the grant allocation to the payments made to schools. The revised policy was considered and approved by the schools Forum on 21 November and will be applicable to schools encountering new growth from April 2024. The grant is £2.8m and will need to meet 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 2024. Once new places for September 2024 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.

2025-26 School Funding Formula

34. The NFF for 2025-26 delivers a minimum amount of funding per pupil, £4,955 for primary and £6,465 secondary pupils. These amounts are increased from that in 2024-25 to reflect the full year impact of the 2024 Teachers' pay award. The detail of the Leicestershire Funding Formula is shown at **Appendix D**.
35. The consultation on the transfer of funding from the school block to the high needs block set out a proposed transfer of 0.5% estimated at £2.6m. The final DSG settlement was higher than anticipated meaning a transfer of £2.8m.
36. Overall, after enacting the schools block transfer and closing the affordability gap school budgets have a cap in the funding gains between 2024-25 and 2025-26 of 0.28% per pupil and fully deliver the minimum per pupil funding levels set by the DfE. 101 schools remain on the funding floor and at protected levels of funding so under the national funding framework cannot be affected by the transfer.
37. As set out within the consultation on the funding transfer the intention is for this to become an annual process. The timeline for 2025-26 budgets did not allow for any detailed modelling to be undertaken on the NFF to identify additional options that may have been available to deliver the transfer, further work will be completed on the 2025-26 data which will be used to inform a transfer for 2026-27. As transfer approval is granted annually full consultation on this and any potential changes to the NFF will be required.
38. As discussed to Schools Forum on 4 November 2024 a dis-application request, pending support from Schools Forum, was submitted to the DfE for factors additional to the NFF and included in the Leicestershire Funding Formula:
 - An exceptional premises factor that funds costs incurred in some school on rent for either additional premises and / or sports grounds for seven schools who receive a total of £82,670. Whilst immaterial within the totality of school funding for the small school in receipt it is essential.
 - An adjustment to the pupil count in respect of September pupil movements as a result of schools undertaking age range changes or schools affected by them together with 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.

The DfE have partially approved the disapplication requests for 2024-25 pending confirmation of the support of Schools Forum.

39. Whilst local authorities are required to apply the funding cap 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 ESFA by the Local Authority.
40. The protections within the funding formula are at a per pupil level rather than overall budget, schools with falling rolls may receive a fall in the level of cash they receive for 2025. The budgets submitted to the ESFA identifies twenty-four schools in this position. It is essential that schools are cognisant of changes in

pupil numbers between October census' and plan accordingly. Overall, 91.07% of the funding formula is pupil driven with 78.03% delivered through the basic entitlement. Reducing numbers in primary schools are being seen because of a decreasing birth rate and is resulting in financial vulnerability that cannot be addressed purely by changes to internal staffing structures.

41. Overall delegated budgets for 2025-26 will deliver the minimum per pupil funding set by the DfE and include an increase of 0.28% per pupil. The funding from the Schools Block transfer will be held in the SEND Investment Fund.
42. The school funding formula has been submitted as required to the DfE for validation against the school funding regulations and the approval granted for the Schools Block transfer. Once this has been received, the Local Authority will issue budgets for maintained schools in February and the ESFA will issue budgets to academies in March.

De-Delegation

43. Following consultation with maintained schools, Schools Forum have approved de-delegation for school improvement functions annually since 2022-23. A further request for de-delegation for 2025-26 is a separate item on the agenda for today's meeting.

High Needs

44. 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.
45. 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 consider 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.
46. Despite the continued financial challenge, the financial plan makes provision, in the absence of an inflationary uplift in high needs funding, to provide additional funding for special schools to reflect the 2024 local government pay settlement for special schools and to increase the hourly rate paid to support EHCP's in mainstream schools, which has been fixed for a number of years, to £12.21.
47. Future government policy in respect of SEND has yet to be confirmed although messages from the DfE suggest a spring announcement. 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.

48. The Leicestershire Medium Term Financial Strategy (MTFS) classifies any action that reduces cost through several actions such as efficiency gains and growth reduction as saving. The High Needs finance plan presented within the MTFS, and through the TSIL Programme, includes the unmitigated cost of SEN placements and represents the forecast cost and number of placements if no cost reduction activities take place.
49. The financial plan makes provision for two levels of savings achieved purely by cost reduction through operational changes delivered through TSIL. Whilst shown as savings, both areas represent reductions in predicted future costs and do not affect the level of provision for pupils which remains driven by ensuring that the right children, have the right support within the provision appropriate for their needs and at the right time:

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 opening of the Farley Way Free School in Quorn expected in 2027-28 and expansion of current provision in both special schools and resource bases attached to mainstream schools. This is estimated to result in a cost reduction of £0.4m in 2024-25 rising to £14.5m in 2028-29 by meeting pupil needs in local provision without the need for a higher cost independent school. It should be noted that whilst expanding specialist provision has both an educational and cost benefit, it does not offer a full solution to the financial position.

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 £12.4mm 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, current performance is in line with expectations. Savings presented assume a cost reduction against a higher cost provision offset against the cost incurred in the alternative placement.

50. The financial benefits accruing from the TSIL Programme are set out below:

	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,000
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
Savings Achieved at Annual Reviews	-1,560	-1,560	-1,560	-1,560
Total - Potential Cost Reduction Savings	-12,384	-20,034	-28,018	-34,237

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

	2025-26 £,000	2026-27 £,000	2027-28 £,000	2028-29 £,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	-2,799	-2,799	-2,799	-2,799
SEND Investment Fund	2,799	2,799	2,799	2,799
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	-2,799	-2,939	-3,086
Total Savings	-12,773	-27,085	-42,149	-51,809
Annual Revenue Funding Gap	15,255	12,346	9,817	14,729
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	24,170			
Cumulative High Needs Funding Gap	80,608	92,954	102,771	117,500
Surplus (-ve) / Deficit Other DSG Blocks	-11,834	-10,834	-9,334	-7,334

Dedicated Schools Grant Surplus (-ve) / Deficit	68,774	82,120	93,437	110,166
High Needs Spend as % of High Needs DSG	125%	133%	143%	153%
Surplus / Deficit as % of Total DSG	10%	11%	13%	15%

52. Unmitigated placement expenditure is 113% of High Needs DSG in 2025-26 rising to 142% in 2028-29 if no actions are taken to achieve value for money and effective management of placements. With planned saving cost reductions placement costs alone remain above the level of funding received.
53. 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. An announcement was expected in December but has been delayed. Unless further legislation changes this, from this point local authorities will be required to make financial provision for the deficit.
54. 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. 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.
55. Despite the challenging financial position, the Local Authority budget makes provision for growth funding to support SEN services post TSIL through an additional annual investment of £1.2m.
56. The TSIL programme is now well into its 'implementation phase', with most of the designed changes having been implemented across the target areas – ranging from specific teams within the County Council to the entirety of the SEND system in Leicestershire. This will deliver significant improvements and cost reductions. 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.
57. 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.

58. 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.
59. A review of the SENA Service considered 'ways of working' as well 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. The growth request will increase staffing through expanding case manager numbers and management capacity. 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.
60. The growth funding will, alongside changes in the Education Psychology (EP) Service, will support a new service structure and approach to managing workload will:
- Improve the timeliness of assessments, reviews, and placements – 11% of assessments are now being completed within the 20-week timeframe, compared to 2% in 2022 and 0% for the first half of 2023. The programme will be continuously seeking to drive this number up.
 - Improve communication with parents and schools with clear steps in all processes, in turn reducing complaints and tribunals in the longer term.
 - Ensure that every child achieves the right support at the right time, and placements will meet need.
61. 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 DSG. 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.
62. 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 a growth bid of £1.2m has been considered necessary within the MTFs without which it is estimated that c£9m of TSIL benefits could be at risk.
63. **Appendix E** set out the number of specialist places commissioned for 2025-26 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

64. The central services block funds several 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 2024-25 settlement is £4.4m.
65. 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.

Early Years Block

66. 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.
67. Leicestershire will receive £5.71 per hour for the 3- and 4-year-olds, £7.53 for 2-year-olds and £10.18 for under 2's, rates are increased from 2024-25 and reflect the full year impact of the 2024 Teachers pay award. 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 of 31 March 2024 was £3.1m. The plan is to clear this deficit over 4 years which would be by March 2027.
68. 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. The decision on rates is one vested to the Director of Children and Family Services by the County Council's Cabinet, the DfE view Local authorities being best placed to determine how to use their total funding allocation to meet the needs of their communities.
69. The minimum 96% pass through rates includes:
 - the universal hourly base rate, which is paid to all providers.
 - supplements for deprivation.
 - special educational needs inclusion fund (SENIF), which should be targeted at children with lower level or emerging special educational needs (SEN).
 - contingency funding, which is extra money set aside for changes in the number of children taking up the entitlements throughout the year.

Funding School Growth

70. 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 2025-26 the grant is confirmed as £2.1m.

The growth fund can only be used to:

- support growth in pre-sixteen pupil numbers to meet basic need.
- support additional classes needed to meet the infant class size regulation.
- meet the revenue cost of new schools.
- meet revenue costs, for schools, of removing or repurposing surplus places.

From 2024-25 local authorities were required to provide growth funding where a school or academy has agreed with the Local Authority to provide an extra class to meet basic need in the area (either as a bulge class or as an ongoing commitment). The rates paid under the policy reflect the rates of funding set by the DfE.

The growth fund cannot be used to support:

- schools in financial difficulty; any such support for maintained schools should be provided from a de-delegated contingency.
- general growth due to popularity; this is managed through lagged funding. This includes cases where academies have admitted above pupil admission numbers (PAN) by their own choice.

71. Schools Forum agreed a revised Growth Policy at its meeting of 21 November 2023 as a result in The DfE's introduction of new minimum requirements for local authorities. 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 as there is no DfE revenue funding for establishing additional specialist provision and therefore contributes to the overall deficit.

Dedicated Schools Grant Reserve

72. 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.
73. Leicestershire is one of fifty-five authorities within the DfE's Delivering Better Value in SEND (DBV) Programme. The programme provides support through both a SEND and a financial advisor and has resulted in a grant of £1m to support SEND transformation. Whilst the DfE have stated that no more local authorities will offered Safety Valve Agreements the future of DBV and DfE intervention and support programmes is currently unknown.
74. 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 DSG deficit is forecast at £68.8m (10% of Total DSG) rising to £110.2m (15% of DSG) in 2028-29 which is an increase on previous projections.

75. Whilst the TSIL programme will deliver further cost reductions 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

76. 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

77. The calculation of the Notional SEN Budget is locally defined. Schools Forum received a report on 18 June 2024 setting out that the Notional SEN budget in Leicestershire was out of line with that in other local authorities and the SEND population in Leicestershire Schools. A further report on 17 September 2024 set out that 50% of the FSM and Ever6 NFF factors would be included to closer align its allocation to the school population, both factors are deemed to correlate with additional needs and indeed also used to distribute the Pupil Premium which remains outside the NFF. It should be note that the Notional SEN Budget is not additional funding to schools but a guide to the expected level of SEN within any school. The proportions and funding factors upon which the notional SEN budget is 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	2025-26 NFF Factors % to Notional SEN
Age Weighted Pupil Unit	4%
Prior Attainment	50%
IDACI	67%
Free School Meals	50%
Ever 6	50%
Total Notional SEN Budget Contained within the Funding Formula	£53.482m

78. 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.

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. These values are detailed in the following table and will be applied as the deduction to school budgets from April 2024.

School Phase	Annual Rate £	Daily Rate £
Primary	4,466.51	23.51
Key Stage 3	6,295.14	33.13
Key Stage 4	7,097.42	37.35

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 for local arrangements such as 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 and arrangements have not been confirmed for 2025-26, the table below sets out the 2024-25 rates.

	2024-25 £ per Pupil
Primary Free School Meals 6	1,480
Secondary Free School Meals 6	1,050
Looked After and Previously Looked After Children	2,570
Service Premium	340

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. Demand for Children and Family Services continues to increase with growth of £56.8m projected over the period of the MTFs, as the requirement to meet CFS needs before intervention, arising from demographic growth and an increased need for social care. Growth includes a further £0.9m for TSIL sustainability.
85. The provisional MTFs for 2025-29 projects a gap of £6.3m in the first year that (may be subject to changes from later information such as the Local Government Finance Settlement) will need to be balanced using earmarked reserves. There is then a gap of £42m in year two rising to £96m in year four. The gaps in the second, third and fourth years of the MTFs are particularly concerning, especially as several mitigations have already been included, such as future increases in Council Tax. To have a realistic chance of closing the gap the County Council will need to quickly identify additional savings or income generation options that allow 2026-27 to be balanced without the use of reserves. For this reason, existing financial control measures remain in place and the introduction of further measures are kept under review to ensure a tight focus on eliminating non-essential spend.
86. 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 2025-26 – 2028-29 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 growth and savings attributed to the department are shown below:

References	GROWTH			2025/26	2026/27	2027/28	2028/29
				£000	£000	£000	£000
	CHILDREN & FAMILY SERVICES						
**	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

References				2025/26	2026/27	2027/28	2028/29
				£000	£000	£000	£000
	SAVINGS						
	CHILDREN & FAMILY SERVICES						
**	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

Capital Programme

87. 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**.
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 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

89. 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

90. 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

91. 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

92. Most 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

93. 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.

94. 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.
95. 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.
96. 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.

Appendices

Appendix C – 2025-26 Children and Family Services Proposed Budget

Appendix D – 2025-26 Leicestershire Schools Funding Formula

Appendix E – 2025-26 High Needs Commissioned Places

Background Papers

[Report to Schools Forum 18 June 2024 – Resetting the SEND Funding System](#)

Reports to [Schools Forum 17 September 2024](#):

1. School Financial Standing
2. SEN Investment Fund and Schools Block Transfer

[Report to Schools Forum 4 November 2024 – Resetting the SEND Funding System](#)

[Report to Children and Families Overview and Scrutiny Committee - Proposed Transfer of Funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant](#)

[Report to Cabinet 22 November 2024 – Proposed Transfer of Funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant](#)

[DfE Guidance – The Notional SEN Budget for Mainstream Schools: Operational Guide 2024 to 2025](#)

Officer to Contact

Jenny Lawrence, Finance Business Partner – Schools and High Needs

Email: jlawrence@leics.gov.uk

Tel: 0116 3056401