

**CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE****20 JANUARY 2014****JOINT REPORT OF THE DIRECTOR OF CHILDREN AND FAMILIES AND
THE DIRECTOR OF CORPORATE RESOURCES****MEDIUM TERM FINANCIAL STRATEGY 2014/15 – 2017/18****Purpose of Report**

1. The purpose of this report is to:
 - a) provide information on the proposed 2014/15 to 2017/18 Medium Term Financial Strategy (MTFS) as it relates to the Children and Young People's Service; and
 - b) ask the Committee to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2013. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2014/15 – 2017/18 will be considered by the Cabinet on 15 January 2014.

Background

3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this Committee will be reported to the Scrutiny Commission on 29 January. The Cabinet will consider the results of the scrutiny process before recommending a MTFS, including a budget and capital programme for 2014/15, to the County Council on 19 February 2014.

Financial Strategy

4. The MTFS is set out in the report to the Cabinet on 15 January, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Children and Young People's Service (CYPS).

Service Transformation

5. National policy changes continue to affect services for children and families. The significant driver of service transformation will be the Children and Families Act which will receive royal assent in 2014. Whilst there is no additional national funding made available to support the majority of the changes that will be required, these changes in legislation will be significant for a number of services:
 - Adoption reform with a drive towards more children adopted with less delay;
 - Reform of the family justice system reducing the time courts have to consider whether children should be taken into care;
 - Re-focusing responsibilities for the supply and uptake of high quality, affordable childcare;
 - Reform of special educational needs including: replacing the Statement of Special Educational Needs with a single 0 - 25 Education, Health and Care Plan; the introduction of personal budgets; the development of a Local Offer; increased post-16 Advocacy; and improved cooperation between agencies that support children and families;
 - Increased focus on support for Young Carers.

6. Departmentally the focus for transformation will be on the establishment of a single children and families department that can ensure that the County Council will continue to improve outcomes for all children and families in Leicestershire. This requires the creation of a strategic framework to ensure that transformation needs are identified, coordinated and delivered. The new department will be established alongside a clear commissioning strategy and both will be underpinned by a transformation programme.

7. The transformation programme will include the areas of work set out below. The programme will be supported by a number of services enabling projects to ensure that the infrastructure is in place for delivery:
 - SEN and Disability – to improve outcomes for children with Special Educational Needs and disabilities through an integrated single assessment and joint commissioning of services combined with personal budgets, and to create a new ‘whole-life’ approach to supporting individuals with learning difficulties and disabilities.
 - Children’s Social Care – to remodel services in response to the requirements of the Children and Families Bill.
 - Early Help Services – to enable individuals to access appropriate support to help them maintain quality of life and address problems at earlier points, including the integration of support across a single Children and Family Services department.
 - Education – to establish appropriate planning and delivery functions to respond to the ever changing educational landscape including the provision of additional school places, ensuring educational quality and supporting vulnerable children and young people.

Proposed Revenue Budget

8. The table below summarises the proposed 2014/15 revenue budget and provisional budgets for the next three years. The proposed 2014/15 revenue budget is shown in detail in Appendix A.

	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000
Updated original budget	59,042	59,281	51,176	50,406
Other changes;				
Budget Transfers and Adjustments	3,039	230	230	230
Sub Total	62,081	59,511	51,406	50,636
Add proposed growth (Appendix B)	600	-45	0	0
Less proposed savings (Appendix B)	-3,400	-8,290	-1,000	0
Proposed/Provisional budget (Appendix A)	59,281	51,176	50,406	50,636

9. The proposed net budget for 2014/15 totals £59,280,720 is set out in the table below.

Detailed budgets for 2014/15 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. The budget also includes provision for an increase in the employers' contribution to the Local Government Pension Scheme in 2014/15 and the following three years based upon the triennial actuarial revaluation of the pension fund.

	£,000
Employees	33,109
Running Costs	460,007
Gross Costs	493,116
Income	433,835
Net Budget	59,281

Other Changes and Transfers

10. A number of budget transfers (£3m) were affected through the 2013/14 financial year that are now adjusted for in the updated original budget. These occur as a result of budget transfers enacted during the year largely arising from the realignment and consolidation of services.
11. The significant transfer was £3.2m in order to fund on-going financial support for the national reduction in the Early Intervention Grant which was reduced significantly for 2013/14. In responding to that reduction it was possible to allocate part of the transfer of funding for the early education offer for disadvantaged two year olds within the Dedicated Schools Grant (DSG) to offset the reduction as a short term measure, as the take up of places increases it can be expected that expenditure will be displaced.
12. 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.
13. This star rating is included in the descriptions set out for growth and savings below.

Growth

14. Details of proposed growth are set out in Appendix B and total £0.6m. These are detailed in the following table:

Ref		2014/15 £,000
G1	<u>Increased numbers of Children in Care and Child Protection Plans</u> – This is the final year of growth approved in the 2012/13 MTFs which funded an increase in internal capacity to respond to increased case loads. This increase relates to incremental salary drift before a reduction in costs in 2015/16.	-35
G2	<u>Remand Framework for Children</u> – Financial responsibility for remand to youth custody was transferred from the Ministry of Justice to local authorities from April 2013. The number of children in remand is historically low within Leicestershire and the 2013/14 grant allocation of £59k has been sufficient to cover costs. In order to provide some financial capacity should this not continue be the case the 2014/15 MTFs provides some growth in funding.	50
G3	<u>Emergency Duty Team</u> – Until October 2013 the emergency duty team for children and young people's and adult social care was provided by Leicester City Council who gave notice that the contract would be terminated in September 2013. Following cessation of these arrangements an internal service, First Response, for 24 hour emergency children's social care cover, was established to provide a single access point to social care and early help services and requires on-going growth.	200
G4	<u>Education Quality</u> - The Authority is now judged by OfSTED on its ability to support school effectiveness by all education providers and may inspect this at any point. Additional resources are required to enable the department to undertake this newly defined role.	300
G5	<u>Foster Care</u> – Very recent national policy changes allow children in foster care to remain in that placement until 21 rather than 18, which extends the period fostering allowances will be paid. Analysis is currently being undertaken to establish the long term on-going financial implications of this change which can be expected to increase in line with the number of children remaining in foster care and how costs will be met if no additional funding is made available to local authorities	80
G6	<u>Framework Implementation</u> – This is the removal of time limited growth to support the implementation of Frameworki	-40

Savings

15. Details of proposed savings are set out in Appendix B and total £12.69m over the period of the MTFS. These are detailed in the following paragraphs.

Efficiency Savings

Ref		£,000
S1	<u>Contract Related Savings</u> – A number of savings opportunities were achieved throughout 2013/14 with no impact on the delivery of services where cost or volume reductions arose. Areas include children’s social care residential placements, short breaks for disabled children and a reduction in contributions to other departments within the Authority	-730
S2	<u>Supporting Leicestershire Families Programme</u> – It is expected that the success of the programme will reduce demand for services across CYPS and deliver savings from 2016/17. The detail of these savings will be defined as the outcomes of the programme are identified.	-1,000
S3	<u>Realignment of Parenting Support</u> – A number of services within CYPS (i.e. youth services, children’s centres, parenting support) have been realigned to form targeted early help services. Some of these services were historically funded from specific grants with their individual terms and conditions, the transfer into mainstream funding has allowed synergies to deliver savings with no impact on service users.	-500
S4	<u>Homeless 16/17 Year olds</u> – Services for homeless 16 / 17 year olds are largely delivered through programmes such as supporting people. Savings in contract fees together with closer working on services for care leavers will generate savings	-100
S5	<u>Short Breaks for Disabled Children</u> – Lower demand for grants for short breaks and respite care throughout 2013/14 has allowed on-going savings to be released from this service area	-300

Service Reductions

Ref		£,000
S6	<u>Social Care Residential Placements</u> – Two key policies were agreed by the Cabinet on 13 December 2013, both will impact upon the number and cost of placements for children in care. Choices, the placement and sufficiency strategy will improve placement arrangements and move from residential placements to a family based care approach. In addition the Permanence Policy will ensure that appropriate arrangements are in place to secure permanent care arrangements. It is anticipated that these	-1,500

	policies will secure annual savings from 2015/16 from more efficient ways of working together with the nationally introduced changes that will develop new pathways to services.	
S7	<u>Voluntary Sector Support</u> – New models of integrated children and families services working increase the focus on vulnerable groups and will create a movement from universal to targeted services. Detailed analysis of all grants paid to voluntary sector organisations is underway, this will formulate firm proposals that will be subject to consultation early in the 2014/15 financial year.	-800
S8	<u>Careers Advice and Guidance</u> – Renegotiation of the contract will be undertaken and from November 2014 the service will become more focused upon providing support to increase outcomes for vulnerable groups. Savings of £290k in 2014/15 will rise to a full year saving of £650k from 2015/16.	-650
S9	<u>Alignment of Family Support Contracts</u> - Aligning historic contracts for family support will deliver service synergies through a refocus of services to a more targeted approach.	-400
S10	<u>Non Replacement of Posts</u> – Posts scheduled to become vacant in the area of planning and commissioning in 2015/16 will not be replaced.	-120
S11	<u>Early Learning and Childcare Service</u> – Recent legislation has reduced the role for local authorities to support childcare providers. A restructure of the service will deliver savings in the local authority budget of £600k in 2014/15 rising to £700k in 2015/16.	-700
S12	This service is funded jointly from the local authority budget and Dedicated Schools Grant (DSG). The long term strategy is to move all costs to DSG which meets the costs of commissioned services in this area, current funding policy allows for this movement. This results in savings of £530k in 2014/15 rising to £1.28m in 2015/16.	-1,280
S13	<u>Departmental Changes</u> – A number of smaller savings related to changes in the structure of the department contribute to this saving. They include the departmental restructure completed in April 2013, the departments contribution to savings through corporate changes in staff terms and conditions and non-replacement of temporary contracts. The saving for 2014/15 is £350k rising to £410k in 2015/16.	-410
S14	<u>Educational Psychology</u> – Savings will be delivered through a service review that will consider current ways of working alongside the statutory requirement of the local authority in this service, together with the continued movement to integrated children and family service and a single assessment of need.	-240
S15	<u>Family Information Service</u> – The requirement for local authorities to provide a family information service was	-120

	removed in October 2013. Signposting of services and access to information is now incorporated into the work of the newly established First Response Central Duty team.	
S16	Management fees – Children’s Centres – Management fees have been historically paid to District Councils to reflect their role in the children’s centre programme. It is proposed that these fees are reviewed and reduced from 2015/16.	-240
S17	Safeguarding Service – Investment in early help / intervention through the Strengthening Families team has been successful in delivering a reduction in the number of child protection plans which allows for a redesign of this service. Redesign work will commence in 2014/15 in order to deliver this saving for 2015/16.	-500
S18	Early Help / Early Intervention – A significant focus for the department has been the consolidation of services delivering early help interventions such as the youth service and the children’s centre programme. A range of other services are commissioned locally from a number of providers. A single commissioning approach is now required. Early planning on the delivery of the 2015/16 saving and its impact has begun.	-2,100
S19	Disabled Children’s Service – The department is in the early stages of developing an all age disability service with the Adults and Communities Department. This will reduce duplication and enable a seamless transition from children’s to adult’s services and delivery of savings in 2015/16.	-1,000

Specific Grants

16. The specific grants for the department are:

- Dedicated Schools Grant (DSG) is estimated to be £413.6m. The settlement for the High Needs Block will be confirmed in March and Early Years Block remains responsive to changes in pupil participation levels. This grant funds schools and academies, early learning and childcare services and support for pupils with high needs. Further analysis of this grant is provided in the following sections of this report.
- Maintained School sixth forms (£9.1m). This funding is paid to the Authority by the Education Funding Agency (EFA) for maintained school sixth forms. The allocations are made according to a national formula and paid over to schools in full. Academies with sixth forms receive this funding directly from the EFA from the point of conversion. This figure will reduce as more schools convert and will not be confirmed to schools until March 2014.
- Asylum Seekers (£1.2m). This supports the cost of supporting unaccompanied asylum seeking children. The grant is variable and dependent upon the number of children supported.

- Remand Reform (£0.6m). Local authorities became responsible for remands to youth detention in April 2013. The grant has not been confirmed but is assumed to be at the same level of that for 2013/14. Given the low level of cases and the potential impact on the budget from relatively small numbers, growth of £50k has been requested for this area.

Dedicated Schools Grant

17. The DSG settlement retains a settlement in three separate blocks for 2014/15 and is detailed below:

Funding block	Areas Funded	Baseline for Settlement
Schools Block £339.3m	<p>Funds delegated budgets for maintained primary and secondary schools and centrally maintained budgets held with the approval of the Schools Forum or statutory functions of the Authority.</p> <p>The national settlement includes funding for Leicestershire academies which is then recouped and paid directly to academies by the EFA.</p>	<p>Settlement at a flat rate per pupil of £3,994.63 based upon the October school census and is unchanged from 2013/14.</p> <p>This places Leicestershire 3rd bottom of the funding table (out of 151 authorities) and compares to an England average of £4,675.11 per pupil</p>
High Needs Block £51.4m (provisional allocation, to be confirmed by the EFA in March 2014)	<p>Funds special schools and other specialist providers for high needs pupils and students, the pupil referral unit and other support services for high needs pupils.</p> <p>2014/15 will be the first full year of funding high needs pupils in academies for further education providers, changes arising from 2013/14 school funding reform were implemented at the commencement of the 2013/14 academic year for these providers.</p> <p>Data on high needs learners was submitted to the EFA in December in order to inform the funding settlement which is expected in March 2014.</p>	<p>The baseline is unchanged from 2013/14 and remains based upon expenditure for 2012/13 with the exception of the full year impact of the transferred responsibility for Post 16 learners with learning difficulties and disabilities.</p> <p>The settlement is not on a per pupil basis but conversion using pupil data from other areas of the settlement places Leicestershire 15th lowest funded at £569.69 per pupil against an average of £761.92.</p>

<p>Early Years Block £22.9m</p> <p>(Indicative allocation, 3 & 4 year olds £17.5m)</p> <p>(2 year old disadvantaged places £5.4m)</p>	<p>Funds the provision of nursery education for 3 and 4 year olds plus an element of the early learning and childcare service.</p> <p>For 2014/15 this block now includes the extension of nursery education to 40% of disadvantaged two year olds which becomes a statutory duty from September 2014</p>	<p>The settlement for 3 and 4 year olds is based upon the January 2013 school census and will be updated by the January 2014 early years census and January 2015 census. At £3,363.36 per pupil this is unchanged from 2013/14. This places Leicestershire 10th bottom of the funding table and compares to an England average of £4,314.28 per pupil</p> <p>The settlement for 2 year old disadvantaged children is based upon expected eligibility for places and paid at a rate of £4.85 per hour.</p>
<p>£413.6m</p>	<p>2014/15 Provisional DSG Settlement</p>	

18. Not all funding blocks are pupil related so a per-pupil value of the total settlement must be calculated. Taking all three elements of the settlement and pupil numbers used within it, Leicestershire receives a total DSG of £4,583.37 per pupil and is the lowest funded authority.
19. The Department of Energy and Climate Change (DECC) announced in December 2012 that all state funded schools would be withdrawn from the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) participation from April 2014 and the Education Funding Agency (EFA) and the Exchequer have required this change to be cost neutral. This results in the removal of £0.53m from DSG. However, the financial provision for Leicestershire schools and academies was £0.45m and results in a loss of funding. It should also be noted that at the point CRC became a requirement for schools no funding was made available to authorities with which to implement the scheme.

School Budgets

20. The school funding formula allocates budgets to maintained schools and academies. Significant changes were made to the 2013/14 school funding formula in order to respond to the first phase of the introduction of the national funding formula. Following a review of local authority funding formulae the EFA issued some further changes to the allowable factors for 2014/15. These factors were considered alongside a local review undertaken in conjunction with the Schools Forum and schools which identified that no changes were necessary.
21. There are no changes to the national elements of the formula but some factors are redefined by the Department for Education (DfE), e.g. prior attainment for primary pupils changes from the Early Years Foundation Stage Profile to pupils who failed to achieve a good level of development, and for secondary pupils from the number of pupils not

achieving level 4 in English and maths to not achieving level 4 in English or Maths. Whilst these changes do not need any changes in the formula factors used, some values are changed to enable school budgets to be delivered within the cash flat DSG settlement.

22. The 2014/15 school funding formula is unchanged from that in 2013/14. However, there are changes in the methodology for the pupil count within it for schools and academies undertaking or being affected by age range changes in other schools. Following extensive consultation with schools and approval by the Cabinet on 15 October 2013, permission from the Secretary of State for Education was sought and granted to change the pupil number count for year groups affected by age range changes. This results in pupil numbers being a composite number based on the October 2013 actual numbers and estimated October 2014 numbers rather than fully based on October 2013 pupils. This will ensure that for schools and academies expanding funding will be received at the point that pupils are admitted. Schools with falling rolls will see reduced budgets, but protection for year one of the changes is factored into the formula. In order to fund this protection it has been necessary to reduce the ceiling on the per pupil gain from the formula changes from 4% per pupil to 1.5% per pupil, this was included in the funding proposal approved by the Secretary of State.
23. A transfer of funding of £2m (£2.5m 2013/14) from the Schools Block to the High Needs Block has been made. This transfer will ensure that there is flexibility to respond to the final allocation which won't be received until March 2014 but also to respond to changes that the EFA continue to make to the funding system in this area, largely in respect of the way the system operates for academies and post 16 providers.
24. The EFA have made unexpected changes in the way that copyright licences for schools are funded for the second year, this funding is now removed from school budgets and held as a central budget at the direction of the EFA.
25. The Minimum Funding Guarantee (MFG) remains nationally set at minus 1.5% per pupil for 2014/15. The EFA have confirmed that some level of funding guarantee will be present for 2015/16 onwards but have given no indication of what that level will be. It should be noted that the MFG is a per-pupil protection and some schools with falling rolls will see cash reductions of more than 1.5% in their overall budget. The future level of protection will be dependent upon the speed at which the DfE wish to move to the new National Fair Funding Formula (NFFF) and what level of turbulence in school budgets Ministers deem to be acceptable; a rapid movement can be expected to result in more turbulence.
26. The schools settlement maintains the level of funding for 2013/14 albeit that the ability to gain on changes to the funding formula is restricted. National data issued from the EFA on 2013/14 formula factors identifies that the level of protection for Leicestershire schools was above that in most other local authorities.
27. The next phase of implementation of NFFF is expected for 2015/16. The EFA is expected to launch a further consultation on the proposals early in 2014. The 2013/14 changes only considered the distribution of funding from local authority to schools, but it is expected that the 2014/15 proposals will for the first time consider the national distribution of DSG with a movement to a formulaic basis from the current position of historic spend. It should be noted that the movement to the NFFF will not result in all authorities receiving an equal amount of funding for each pupil, but that pupils with the

same characteristics will be funded equally irrespective of which local authority they are being educated in.

Universal Infant Free School Meals

28. The Government have announced £1.55m to enable every child in reception and years 1 and 2 in state funded schools to receive a free school meal from September 2014. It is expected that this funding will be delivered to maintained schools via local authorities. An announcement has been made on capital funding to develop school kitchens in order to deliver additional capacity, but no announcement has been made to date on revenue funding for local authorities.

Two Year Old Early Education Offer

29. Local authorities were required to offer early education to the 20% most disadvantaged two year olds from September 2013. This increases to 40% most disadvantaged in September 2014.
30. DSG includes additional funding to support early years providers expand to be able to provide the additional capacity. Leicestershire currently has sufficient capacity and this additional funding was able to support the 2013/14 reduction in the Early Intervention Grant by transferring services to be funded from DSG. The MTFs assumed that the 2014 expansion of provision was unfunded and made provision for £3.2m to allow the department to deliver a measured approach to service delivery.
31. A further assessment of the use of this additional funding will be undertaken early in the autumn term when the extent of the two year old take up can be assessed with some level of certainty; it is likely that some of this funding will be released from the CYPS budget. It should be noted that the DSG settlement for two year olds will be much reduced in 2015/16, firstly as a result of the funding to increase capacity being withdrawn, and secondly funding will move from the current basis of eligibility to one of participation. The review of the use of this funding will need to consider the impact of these changes.

Pupil Premium

32. Nationally the pupil premium increases by 33% in 2014/15 and the estimated total for all Leicestershire schools and academies issued by the EFA is £17.3m; this figure will be revised by the EFA with pupil data from the 2014 January school census. Funding for maintained schools is made through the local authority, the EFA make direct payments to academies.
33. Eligibility for the Pupil Premium has been extended to children who have been in care for one day or more, children registered on the school census as being adopted from care, or children that have left care under a special guardianship or residence order. Individual values for the pupil premium are:

Pupil Premium payable for:	2014/15 £	2013/14 £
Primary Free School Meals Ever 6 (any pupil eligible for a free school meal in the	1,300	953

previous six years)		
Secondary Free School Meals Ever 6 (any pupil eligible for a free school meal in the previous six years)	935	900
Children from Service Families	300	300
Children adopted from care, special guardianship or residence order	1,900	0
Looked After Children	1,900	900

Academies

34. Currently in Leicestershire 123 schools have converted to academy status, 13 schools are within the conversion process and 18 are consulting on conversion. Compared to the position reported in the 2013/14 MTFS fewer schools are entering into the conversion process.
35. Within the conversion process are 8 schools converting to a sponsored academy arrangement as a result of an OfSTED judgement of requiring special measures. In this situation any deficit budget reverts to the local authority. The current financial exposure is estimated to be c£1.5m; £2.5m is set aside within the DSG reserve to meet these costs. The allocation of additional funding from the 2013/14 Schools Budget underspend will be required to maintain the fund at a level to ensure that future costs can be met.
36. The Education Services Grant (ESG) provides funding to Authorities for:
- a) the services it provides to all schools and academies such as strategic planning of the education service, development and maintenance of the school funding formula and strategic capital planning of £15 per pupil, this is unchanged from 2013/14;
 - b) the services it provides only to maintained schools such as ICT infrastructure, finance, HR of £113.17 per pupil which is reduced from £116 per pupil in 2013/14.
37. The provisional allocation from the EFA for 2013/14 is £5.6m and the allocation is based upon October 2013 pupil numbers. As a result of further academy conversion it will be adjusted on a quarterly basis and is expected to reduce to c£5m during 2014/15. The MTFS includes a provisional estimate of £2m in 2015/16 and in later years.
38. The DfE intend to consult in early 2014 on the delivery of a 20% reduction in ESG in 2015/16. This consultation is expected to be based upon the finding of a review of how the grant is used and how much local authorities spend on the expenditure covered by the grant.

Capital Programme

39. The Capital settlement for CYPS for 2014/15 is in separate funding streams and some allocations have yet to be confirmed. The proposed Capital Programme is shown at Appendix C.

40. The CYPS Capital Programme will need to be considered again by the Cabinet once further work on school place planning set out below has been confirmed and the capital maintenance grant allocation has been received. However, work will need to be undertaken on advanced design and urgent schemes

Basic Need

41. This grant funds new school places by expanding existing maintained schools, free schools or academies, and by establishing new schools. Local authorities are required to consider all types of school equally for the allocation of funding based upon local needs and priorities. The grant allocation is based upon the 2013 School Capacity Survey (SCAP) which collects information on capacities of schools and academies in each local authority. The EFA announced in December that the allocation of this grant would be a three year settlement for 2014/15 to 2015/16. The annual allocations announced by the EFA are:

	2014/15 £,000	2015/16 £,000	2016/17 £,000	Total £,000
Allocation	3,445	25,140	26,397	54,982

42. A report will be presented to the Children and Families Overview and Scrutiny Committee in March 2014 setting out a School Place Planning Strategy and how that can be used to effectively support schools to raise pupil outcomes and define educational priorities. Alongside the School Place Planning Strategy will be a Capital Strategy which will set out the criteria to be used to allocate funding, considering the need for school places and wider educational outcomes.
43. The Children and Families Overview and Scrutiny Committee on 9 September 2013 received a report setting out the current position and future expectations on the need for additional school places. Particularly acute is pressure for primary school places in Braunstone and Hinckley. Schemes will need to be developed in 2014/15 to address this need.
44. The 2014/15 capital programme set out in this report allows for advanced design of the wider programme of work and urgent schemes that need to be completed in 2014/15.
45. Scoping a new capital programme needs to consider a number of areas including build costs. For Leicestershire the data identifies that the average build cost is between £8,000 - £10,000 against the current grant allocation of £5,403 per primary place and £6,754 per secondary place. This places a requirement and challenge on the Authority to build future new places at significantly reduced cost which will impact upon the type of accommodation provided. To build at a greater cost would require taking capital identified for other school places, or require contribution to the capital programme.
46. The level of the settlement offers an opportunity to significantly improve schools taking account of the need to improve educational outcomes. To achieve this it is necessary to establish a dedicated resource to research, plan and co-ordinate the capital programme. It is expected that 2014/15 will largely be the planning period for a programme of works to commence in 2015/16. £0.5m has been set aside in the MTFS to fund this work

47. The current funding methodology established a clear link between the need for school places and funding allocations. The DfE are expected to report and challenge local authorities on the use of grant.
48. Local authorities are required to provide revenue as start-up funding for new school and for exceptional pupil number growth. The Schools Forum will consider the criteria for any such funding which will be met from the DSG reserve.

Capital Maintenance

49. This grant is paid to local authorities to maintain suitable learning environments. This grant is received by the Authority for maintained schools only and academies access funding directly from the EFA. No allocation has been received for this funding stream, but has been estimated to be £3.7m for 2014/15; an update to the Cabinet will be provided once allocations are known. The Authority will need to consider a number of issues in setting out the programme of works to be funded and whether schemes align with the basic need programme of works. Expenditure will only be incurred once the grant allocation is announced with the most urgent schemes prioritised. An update will be provided to the Cabinet at that time.
50. A number of schools within Leicestershire are judged to need special measures which, under DfE policy, requires a move to a sponsored academy. Sponsorship results in another school or organisation effectively taking control of the school. Sponsors seek to limit their financial risk and this includes expectations that any immediate capital works are completed. Without completion, there is a risk that the sponsors will find schools financially unattractive to sponsor. Completion of the works within the current financial envelope carries a risk that only schools moving to a sponsored academy arrangement would see capital maintenance schemes completed.
51. As a result of the James Review on school capital the DfE began a programme of assessing the condition of the national school estate. It is likely that the capital maintenance funding will move to an allocation system in line with that for basic need, this would result in authorities with the greatest school condition issues receiving funding. There is no information available to allow a judgement to be made on what impact any change would have in Leicestershire.
52. The capital maintenance grant and the revenue funded central maintenance fund have been used interchangeably to fund a range of capital maintenance issues such as boiler replacements, electrical works etc. A review will to be undertaken to ensure that the boundaries between these two discrete funding streams are defined and both are used to full effectiveness.

Devolved Formula Capital

53. Devolved Formula Capital is allocated to individual schools by the EFA by application of a national formula. The funding is received by the Authority for maintained schools and is passported. Academies also receive this funding, but direct from the EFA. No announcement has been made on funding for 2014/15 but it is expected that funding levels will remain unchanged and is estimated to be £0.82m.

Universal Infant Free School Meals

54. Capital funding has been provided in order to deliver the Governments offer of a free school meal for every child in reception and year 1 and 2 in state schools from September 2014. In order to achieve this £150m in capital funding has been allocated nationally to ensure that school kitchens can cope with the additional capacity. Local authorities receive the funding for maintained schools, academies access funding from the EFA. The total allocation for Leicestershire is £1.009m, £0.887m relates to maintained schools and £0.122m to voluntary aided schools. An analysis of need will be completed prior to confirming which schools will receive capital funding. Academies receive this funding directly from the EFA but are required to bid for allocations.
55. The draft Capital programme is summarised in the following table and shown in in Appendix C. The programme is largely school focused and funded by capital grant targeted at schools. The exception to the schools programme is the inclusion of funding to upgrade three family contact centres to support the locality model of integrated early help hubs which will provide a focal point for multi-agency working.

	2014/15 £,000
<u>2013/14 Commitments Brought Forward</u> - Work to complete the 2013/14 school accommodation projects which have slipped into 2014/15.	2,622
<u>2014/15 School Accommodation</u> – This is discussed in detail earlier in this report, the allocation into the capital programme and includes expected developers S106 contributions. The allocation allows for advanced design of the wider programme of work and may include urgent schemes that need to be completed in 2014/15.	4,335
<u>Strategic Capital Maintenance</u> – New schemes for 2014/15 to address maintenance issues. Grant has not yet been confirmed and is estimated using the same allocation methodology as that for 2013/14. The programme will be fully funded from this grant and the workplan will be adjusted to the confirmed allocation.	3,709
<u>School Meals Capital Programme</u> – This programme will address the needs of maintained schools to enable them to deliver the offer of free school meals to reception, year 1 and year 2 pupils from September 2014.	887
<u>Targeted Early Help Hubs</u> – Resources have been secured through the discretionary capital programme to develop the contact centres in Hinckley, Coalville and Loughborough to locality integrated early help centres. They will provide an up to date environment for children and families engaged in contact visits, a safe environment for those visits and provide accommodation for Hinckley Youth Staff.	740

Recommendation

56. The Committee is asked to consider the report and any response it may wish to make.

Equal Opportunities Implications

57. Many aspects of the County Council's MTFs budget are directed towards the needs of disadvantaged people. Where proposed savings are likely to have an adverse impact on service users protected under equalities legislation, Equality Impact Assessments must be undertaken at a formative stage of developing proposals prior to all final decisions being made. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes.

Background Papers

Cabinet 15 January 2014 - Medium Term Financial Strategy 2014/15 to 2017/18

Cabinet 15 October 2013 – Funding Schools Affected by Age Range Changes

Cabinet 13 December 2013 – Choices for Children and Young People: A Placement and Sufficiency Strategy for Children and Young People in Leicestershire's Care

Cabinet 13 December 2013 – Permanence Policy for Children and Young People in the Care of the County Council

Children and Families Overview and Scrutiny Committee 9 September 2013 – Provision of School Places in Leicestershire

Schools Forum 18 June 2013 – 2014/15 School Funding Formula and Funding Age Range Changes

Cabinet 16 October 2012 - Proposed School Funding Formula for Primary and Secondary Schools 2013/14

Circulation under Local Issues Alert Procedure

None.

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Appendices

- Appendix A – Revenue Budget 2014/15
- Appendix B – Growth and Savings 2014/15 – 2017/18
- Appendix C – Capital Programme 2014/15 – 2017/18

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