



Cabinet Report

Purpose: For Decision

ISLE OF WIGHT COUNCIL

Date	11 JANUARY 2024
Title	SCHOOL FUNDING FORMULA & BUDGET SETTING 2024/25
Report of	CABINET MEMBER FOR CHILDRENS SERVICES, EDUCATION AND COPORATE FUNCTIONS

1. Executive Summary

- 1.1. The Department for Education (DfE) publishes annual changes to school funding arrangements. There have been some amendments to the national funding formula which allocates funding to the local authority, with a local formula continuing to be used to allocate funding to individual schools. The local authority must set the formula annually, alongside the wider Dedicated Schools Grant (DSG) budget.
- 1.2. This report sets out arrangements for the Isle of Wight pre-16 mainstream school revenue funding formula for the 2024/25 financial year, and the setting of the wider DSG budget for approval. The formula has been proposed following principles agreed by the Schools Forum during 2023/24 financial year, following consultation with individual schools, and replicates the national funding formula values used to allocate funding to the local authority.
- 1.3. The DfE must be notified of the proposed formula by 22 January 2024 and subsequent school budget allocations must be confirmed to individual schools by 28 February 2024, applicable from 1 April 2024. The proposed DSG budget is reported to the DfE as part of the Section 251 return submitted in April 2024.
- 1.4. While the council is required to consult with schools on the funding formula and budget setting, the final decision is for the local authority to take as the accountable body for the Dedicated Schools Grant.

2. Recommendation

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| 2.1 That the 2024/25 school funding formula and wider Dedicated Schools Grant budget allocations detailed in Appendix 1 and 2 to this report be approved. |
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3. Background

- 3.1. The DfE allocates funding to local authorities using a national funding formula and 2024/25 will be the seventh year of this mechanism. It has used this formula to calculate notional budgets for all schools and combined the budget for all schools on the Island to identify the amount per pupil to be allocated to the Isle of Wight in 2024/25. The October 2023 census pupil numbers and characteristics drives the eventual funding distributable to schools through budget shares.
- 3.2. Schools funding is provided through the Dedicated Schools Grant (DSG), which is made up of four funding blocks: schools, early years, high needs, and central school services, with restrictions on the use of funding allocated to each block. The funding formula specifically relates to the schools block and is a significant majority of the overall DSG budget also included in this report. The authority has a responsibility to set a balanced DSG budget.
- 3.3. The pre-16 school funding guidance for 2024/25 was initially released in late July 2023 and updated early October 2023. The final version is released in December 2023. There are a few changes in the expectations within the local formula. The DfE has reiterated its intention to move to a direct national funding formula, which allocates funding directly to schools by 2027/28 and further update on the speed and process for that move are expected over the coming year.

4. Corporate Priorities and Strategic Context

Responding to climate change and enhancing the biosphere

- 4.1. There is minimal direct impact on climate change and enhancing the biosphere as a result of recommendations within this report. The funding provided to schools from the formula is devolved for individual schools to make their own spending decisions. Environmental improvements to the school estate tend to be capital funded in nature and therefore outside the scope of this report.
- 4.2. Impact Assessment Tool was used to assess the impact of the recommendations in this report on climate change and enhancing the biosphere. The outcome of the assessment determined that there is a positive impact on the Quality Education through adequately funded schools and no direct impact, or the impact has a neutral nature in other factors.

IMPACT ASSESSMENT TOOL



Ratings

1	Long lasting or severe negative impact
2	Short term or limited negative impact
3	No or neutral impact
4	Short term or limited positive impact
5	Long lasting or extensive positive impact

Economic Recovery and Reducing Poverty

- 4.3. There is minimal direct impact to economic recovery and reducing poverty as a result of recommendations within this report, although sufficiently funded schools are active employers across the Island employing many individuals and contributing to the local economies.

Impact on Young People and Future Generations

- 4.4. Revenue funding to schools is key in delivering sustainable education provision that will develop lifelong skills improving potential outcomes for young people. The increases in funding prescribed through the DfE in this report directly impact on the affordability of quality education in schools.

Corporate Aims

- 4.5. The 2021 to 2025 corporate plan emphasises the need for the local authority to work with and challenge schools in financial deficit to secure a more sustainable position for the schools and the council. The funding formula within the report

results in increases in all funding formula factors, increasing funding for all schools mitigating risks of individual schools in deficit. This impacts on schools delivering on existing budget plans, and financially viable schools in turn contribute to ensuring pupils can develop their skills and fulfil their potential.

5. Dedicated Schools Grant budget 2024/25

- 5.1. DSG allocations for 2024/25 were released by the DfE on 19 December 2023, including a breakdown by funding block, building on indicative allocations that were received in October 2023. The actual allocations can be found on the DfE website [Dedicated schools grant \(DSG\): 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/dedicated-schools-grant-dsg-2024-to-2025), summarised and compared to the current year baseline in the following table (pre-recoupment of funding passed to academies directly by the Education Skills & Funding Agency (ESFA)).

Block	2023/24 Allocation (Nov23) £000	2024/25 Allocation (Dec23) £000	Change £000
Early years	6,609	10,920	4,311
Schools Block	85,168	89,180	4,012
High needs	21,756	22,335	579
Central	598	609	11
Total DSG	114,131	123,044	8,913

- 5.2. When comparing between years note that the previously separate Mainstream Schools Additional Grant equivalent funding has been rolled into the schools block funding formula from 2024/25 in the region of £2.9million.
- 5.3. The remaining change between years is a culmination of some additional funding added to the early years hourly rates, additional funding added across national level school funding formula factors, additional high needs funding in the region of 3.2 per cent per head of population, and also the financial impact of changes in pupil numbers and characteristics following the October 2023 census.

EARLY YEARS BLOCK

- 5.4. The DfE has confirmed the funding rates which will be used to allocate funding to local authorities in 2024/25. For the Isle of Wight there is an increase in the national funding, adding twenty-five pence per hour to two-year old and twenty-eight pence to three and four-year old funding rates. From April 2024 the entitlement for funding extends to the eligible working parents of two-year-olds and from September 2024 funding for working parents starts when child reaches nine months of age.
- 5.5. The net result for the Isle of Wight, after being updated with January 2023 funded activity, is an increase of £4,311 million in the early years block estimate for 2024/25.

- 5.6. Schools Forum is required annually to approve the level of central funding and at least 95 per cent of early years funding must be passed through to providers leaving the remaining 5 per cent towards central costs. The early years central costs support providers and administration of the early year's entitlement. Accounting for inflationary increases and increase in staffing requirements linked to the extension of the funding entitlement for working parents, the 2024/25 central budget proposed to Schools Forum is £426,500.
- 5.7. The Early Years team is engaging with providers between January and March on options for the distribution of the additional funding through some possible changes to the structure of rates paid. The budget included in appendix 1 is based on the funded level of activity. The outcome of the discussions will be confirmed in March 2024 and endorsed through Schools Forum and onward to providers, with required budget statement estimates issued before the end of the financial year.

SCHOOLS BLOCK

- 5.8. The vast majority of schools' block funding is managed through the local school funding formula in budget share allocations to schools. The proposed local funding formula for mainstream Isle of Wight maintained schools and academies is included in appendix 2, alongside 2023/24 values for comparison.
- 5.9. The Isle of Wight has a strong history of supporting the principle of working towards the national funding formula (NFF) values since the formula was introduced in 2018/19, and since 2021/22 with the overwhelming support of local schools and Schools Forum, has replicated the NFF formula factor values entirely. It is proposed to again determine the 2024/25 school funding formula using the increased national funding formula values exactly (adjusted for the local area cost adjustment, which for the Isle of Wight is 1.01472).
- 5.10. The approach will provide continued and future stability for schools, minimising future financial turbulence at an individual school level when the direct national funding formula is eventually implemented by 2027/28 whereby school budget shares are directly provided by government.
- 5.11. The formula is still significantly shaped through consultation with the Schools Forum and the wider schools' community, and the following key principles, assumptions and decisions are a culmination of meetings and engagement through 2023.
- (a) The 2023/24 mainstream schools additional grant has been rolled into the national funding formula adding an amount representing the grant into school baselines across some key factors such as basic entitlement and lump sum.
 - (b) NFF values have been increased (on top of the rolled in Mainstream schools additional grant values) by in the region of 1.5%, slightly higher for Deprivation FSM, Deprivation – Ever 6 FSM, English as an additional language for primaries and mobility for primaries
 - (c) Introduction of a new formulaic approach to allocating split sites funding which replaces the previous locally determined split sites factor.

- (d) New local formula requirements for growth and falling roll funding. Minimum funding level introduced for growth funding when additional classes (driven by basic need) are required.
- (e) Local authorities continue to be able to transfer up to 0.5% schools block funding with School Forum approval.
- (f) Local authorities continue to be able to set minimum funding guarantee with the 2023/24 DfE threshold being between +0.0% and +0.5%.
- (g) Schools Forum agreed in November 2023 that the formula is set using NFF formula values and protections, the growth funding is ringfenced for Growth fund budget, 0.5% of schools block funding is transferred to high needs. In the event of the formula not being affordable, capping and scaling mechanism will be used to balance to the allocation.

5.12. Other elements of the schools' block budget presented in appendix 1 are driven by specific decisions by the Schools Forum covering services that are de-delegated from maintained schools and contributions to central education functions.

HIGH NEEDS BLOCK

- 5.13. The December 2024/25 high needs block allocation has confirmed an increase in funding compared to this year of £579,000 similar to the value estimated by the DfE through indicative modelling in the summer. As a very historically better funded authority the Isle of Wight only receives the minimum level of increase experienced in national allocations across authorities.
- 5.14. The high needs block is the major contributor towards the Dedicated Schools Grant deficit position. As part of the Safety Valve programme the Local Authority is required to reach an in-year balanced budget and eliminate historic deficit by the end of the financial year 2026/27. The latest official position reported to the DfE in September 2023 identified a gap of £2.7 million against Safety Valve profile by the end of the multi-year agreement. Significant mitigating strategies to close this gap have been identified already and further strategies are being developed to deliver a balanced budget as set out in the Safety Valve agreement.

CENTRAL BLOCK

- 5.15. The central block of DSG funding is the smallest element of the grant, and most budgets have already been agreed by the Schools Forum in November 2023. The DfE continues to work historic commitments out of the system by reducing the central block funding year on year, which has continued for 2024/25 but doesn't affect the Isle of Wight. The marginal increase contributed by a slight increase in the funding rate is expected to be absorbed within the statutory duties' element of the budget after meeting increased copyright license costs procured directly by the DfE.

OVERALL BUDGET

- 5.16. Overall final proposed budget allocations are summarised from appendix 1 in the following table compared to the DSG allocations received in December. The

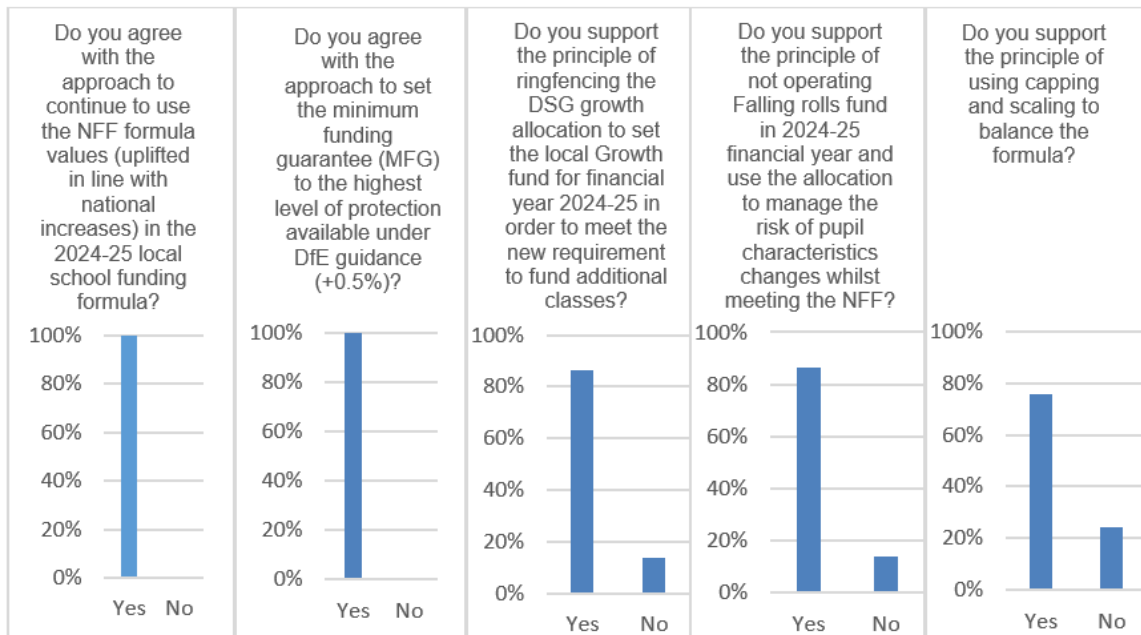
difference between the budget allocation and DSG allocation is in relation to the transfer of 0.5% from the schools’ block to the high needs block for 2024/25 financial year was agreed by the Schools Forum in November 2023.

Block	DSG Allocation £'000	Budget Allocation £'000	Net Difference £'000
Early Years	10,920	10,920	0
Schools	89,180	88,734	(446)
High Needs	22,335	22,781	446
Central Services	609	609	0
TOTAL DSG	123,044	123,044	0

- 5.17. This total budget includes recoupmnt which will be deducted at source from the Isle of Wight DSG allocation and paid to academies and post 16 high needs providers directly by the Education Skills & Funding Agency (ESFA). The amount is £26.8 million which results in a net budget to be managed by the local authority of £96.2 million.

6. Consultation and Engagement

- 6.1. The school funding regulations require that mainstream schools are consulted on any proposed changes to the funding formula. As no material changes are proposed a consultation was not required but was still completed following the release of indicative allocations and modelling tools by the DfE in the summer. The council education finance team met with headteachers in September 2023 to explain the updated position on the NFF for 2024/25 alongside other general finance updates, with the exercise repeated with school business managers on the 19 September 2023. This was followed up with a further headteacher engagement session on 9 November 2023. Finance attendance at the headteacher, and school business manager forums throughout the year is now a standing item and well received two-way conversations are had.
- 6.2. The formal consultation with schools on school funding proposals for 2024/25 was released on the 2 October 2023 and ran until the 10 November 2023. The short consultation asked key questions around the principles of setting the upcoming formula alongside wider questions around de-delegation, funding and included indicative modelling at individual school level. 29 (64%) of the 45 mainstream primary and secondary schools responded to the consultation.
- 6.3. The questionnaire asked five main questions in relation to 2024/25 school funding. The results were in support of the proposed Isle of Wight Council approach on each item.



6.4. The survey contained a narrative question around general school funding. Around a third of the respondents included a comment and described concerns around the overall quantum of funding not being sufficient to meet current costs, in particular pressures around support staff pay, cost supporting children with education and healthcare plans.

Financial / Budget Implications

- 6.5. The Dedicated Schools Grant is a strictly ring-fenced grant for education purposes. The grant conditions require local authorities to utilise the grant for the purposes set out in the School and Early Years Finance (England) Regulations.
- 6.6. DSG grant regulations were last updated in November 2023 and currently enforce the accountability of any overall DSG deficit being met from future DSG income and cannot therefore be charged against the Council's general fund. The outcome of a review on this statutory override confirmed a continuation of that arrangement up to and including the accounts for 2025/26.
- 6.7. The local authority is responsible for setting the local school funding formula and presenting a balanced Dedicated Schools Grant budget, following significant consultation and shaping of the formula and budget by the Schools Forum and the wider schools' community.

7. Legal Implications

- 7.1. The School and Early Years Finance (England) Regulations set out the statutory arrangements for school and early years funding and they are updated each year following the release of grant allocations. The 2024 regulations are expected to be updated in early 2024, following on from operational guidance provided by the DfE in relation to 2024/25 in the summer of 2023.
- 7.2. The regulations prescribe the timescale for publishing school budgets, the formula factors which can be used to calculate school budgets and the costs which can or cannot be met by the local authority from the ring-fenced Dedicated Schools Grant funding.

8. Equality And Diversity

- 8.1. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 8.2. An equality impact stage 1 initial screening was completed on 27 November 2019 as part of the setting of the 2020/21 formula. This concluded no negative impact on those with protected characteristics as a result of changes by mirroring the national funding formula, particularly as schools are protected from losing per pupil funding through the minimum funding guarantee element of schools funding. This report is a continuation of that strategy for 2024/25 with increases in all funding formula factors and higher proportionate increases in some additional needs factors in particular related to deprivation.

9. Property Implications

- 9.1. There are no property implications as a result of these proposals as they relate purely to the distribution of Dedicated Schools Grant revenue funding. Individual schools pay for general property running costs from the devolved funding provided through the Dedicated Schools Grant.
- 9.2. The Children's Services asset management team is responsible for overseeing any landlord duties that impact on schools and also the strategic management of schools' capital funding, which is outside the scope of this report.

10. Options

- 10.1. Option 1 - To approve the 2024/25 school funding formula and wider Dedicated Schools Grant budget allocations detailed in appendix 1 and 2.
- 10.2. Option 2 - To require further formula options and alternative schools grant budgets to be developed, requiring a further period of consultation to be carried out with schools.

11. Risk Management

- 11.1. The recommendation within this report results in schools receiving increased funding using national formula factor values, mitigating a risk of financial turbulence for individual schools when the government moves to a direct national funding formula in the future (which it has reiterated its intention to do so over the last year by 2027/28 at the latest).
- 11.2. The local authority like many others is experiencing serious financial pressures from insufficient levels of high needs funding. Schools and Schools Forum have supported high needs funding transfer to influence strategies to achieve a sustainable future budget.

- 11.3. Although funded through this formula, academy schools receive their funding and adhere to compliance directly through the Education Skills Funding Agency (ESFA). Isle of Wight maintained schools have fully devolved funding, finance systems and bank accounts and their budget monitoring is regularly reviewed by school senior leadership and governor teams. Budgets for maintained schools are supported and challenged by the Council Education Finance Team through mandatory submissions in May and November of each year pre-empting risk of schools going into deficit or deviating from agreed recovery plans.
- 11.4. Actions and mitigations around schools in deficits are jointly monitored through Financial Management service risks, and through annual review of individual school budget submissions by the Director of Childrens Services.

12. Evaluation

- 12.1. The school funding formula is set following significant consultation with the Isle of Wight schools' community directly and through its consultative statutory group the Schools Forum over a period of months while detailed guidance and procedures are released by the DfE. The recommended option is in line with the views of those groups, with government intentions for a clear, transparent, affordable school funding formula, and robustly evidenced DSG budget for 2024/25.

13. Appendices Attached

- 13.1. Appendix 1 - Isle of Wight Dedicated Schools Grant Budget 2024/25.
- 13.2. Appendix 2 - Isle of Wight School Funding Formula 2024/25.

14. Background Papers

- 14.1. Schools Forum November 2023 Paper E – 2024/25 School Funding
<https://www.iow.gov.uk/documentlibrary/view/paper-e-2024-25-school-funding>
- 14.2. Department for Education – Pre-16 Schools Funding Operational Guidance
[Schools operational guide: 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118112/Schools_operational_guide_2024_to_2025_-_GOV.UK)

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