



Paper C

Purpose: For Decision

Committee report

Committee	SCHOOLS FORUM
Date	23 MARCH 2023
Title	SCHOOL FUNDING UPDATES 2023/24
Report of	DIRECTOR OF CHILDREN'S SERVICES AND DIRECTOR OF FINANCE

EXECUTIVE SUMMARY

1. This report provides a general update on school funding related matters applicable to the upcoming 2023/24 financial year, including final budget setting outcomes, early years formula setting, high needs arrangements, and the status of Safety Valve discussions with the Department for Education (DfE) on the Dedicated Schools Grant (DSG) deficit.

SCHOOL FUNDING FORMULA 2023/24

2. The mainstream school funding formula communicated to School Forum in January following political ratification, was successfully submitted to the DfE on the 20 January 2023 and subsequently passed the compliance checks with only minor amendments required to the Authority Proforma Tool (APT) submission in relation to the presentation of NNDR cost estimate information. Headteachers and School Business Managers received their formal 2023/24 budget shares on 24 January 2023, five weeks in advance of the statutory deadline and at the earliest point in any of the National Funding Formula (NFF) years.
3. Following an Education Finance Team update session with school business managers on 2 February, the local authority negotiated for maintained schools that the budgeting software provider make the necessary updates to the system to maximise the time available for maintained schools to produce their formal May 2023 local authority budget submissions.
4. This initial session with school business managers allowed in-depth discussion about core assumptions around expenditure and income, drawing default conclusions to allow refinement of individual school budgets to continue over the year-end period, with general cost and income assumptions under continued review (in particular around inflationary impacts and the potential support staff pay awards as current issues).

- Individual maintained school budget plans and outturn balance information themes will be fed back to Schools Forum as part of the summer report update.

EARLY YEARS FORMULA 2023/24

- Schools Forum endorsed the proposed early years 2023/24 funding rates at the January 2023 meeting. There were no changes to the formula methodology as a result of communication with providers over the spring period, and indicative budget shares were released to individual providers on the 14 March ahead of the 31 March 2023 deadline to aid provider financial planning going forward.
- The final 2023/24 rates were presented in the January report and are confirmed as follows:

2 Year Old Funding	2022/23	2023/24	Change
LA Funding	£5.80	£5.90	£0.10
Central	£0.23	£0.24	£0.01
Inclusion	£0.08	£0.11	£0.03
Provider funding rate	£5.49	£5.55	£0.06

3 & 4 Year Old Funding	2022/23	2023/24	Change
LA Funding rate	£4.61	£4.87	£0.26
Central	£0.23	£0.24	£0.01
Inclusion	£0.08	£0.11	£0.03
Provider funding rate	£4.30	£4.52	£0.22

Rate	2022/23	2023/24	Change
3-4 y.o. provider	£4.30	£4.52	£0.22
Base	£3.95	£4.16	£0.21
Deprivation	£0.19	£0.19	£0.00
Flexibility	£0.16	£0.16	£0.00
Quality	£0.00	£0.01	£0.01
Supplements % (must be < 12%)	8.14%	7.97%	

- A further adjustment to the DSG is expected in July to incorporate the outcome of the early years January 2023 census, updating the allocation as appropriate.
- In the government's Budget 2023 statement on 15 March 2023 there was an announcement around the expansion of the 30 hours scheme to cover one & two-year-olds by September 2025 with staged implementation from April 2024. Further guidance and support from the DfE are expected in due course.

SPECIAL SCHOOL & PUPIL REFERRAL UNIT FUNDING

- Following the confirmation of high needs funding arrangements for 2023/24 in the December 2022 allocations, DfE operational guidance detailed funding increase expectations for the upcoming year. The two conditions of the guidance were as follows, and were also communicated within the January 2023 budget setting report.

- a) Guidance requires that a minimum per pupil funding guarantee is achieved over the two-year period 2023/24 & 2023/24. An equivalent of 1.5% was added to the combined top up / place rates in 2022/23 a further 1.5% is proposed for 2023/24.
- b) A specific additional funding element to be paid as a lump sum is to be implemented, that must be the equivalent of a 3.4% increase in funding (again, % impact against the combined top up and place funding).
11. The relevant three schools were consulted with during late January / early February around the methodology and calculation of the additional funding and were supportive of the approach. The schools were issued 2023/24 budget shares on this basis and the following table of rates are applicable from April 2023 (compared to current values).

Special School - Pre & Post 16	22/23 Existing	23/24 Proposed	Change
A1	£4,030	£4,240	£210
A2	£6,455	£6,702	£247
A3	£7,426	£7,687	£261
B1	£7,911	£8,180	£269
B2	£11,306	£11,626	£320
B3	£16,156	£16,548	£392

Special School - Nursery Places	22/23 Existing	23/24 Proposed	Change
All bands	£19,031	£19,317	£286

Pupil Referral Unit	22/23 Existing	23/24 Proposed	Change
Standard place	£8,379	£8,655	£276
EV/Unwell	£18,379	£18,655	£276

12. The above rates manage the impact of the required 1.5% minimum funding guarantee, the remaining additional funding increase equivalent to 3.4% is being managed through a specific individual payment to relevant schools.

SAFETY VALVE PROGRAMME MARCH 2023

13. The government has increased capacity in its Safety Valve programme which supports and challenges those local authorities with proportionate higher deficits within their dedicated schools grant (DSG) budgets. The Isle of Wight accepted an invite to take part in the scheme during 2022/23 which has involved very detailed modelling and evidencing of strategies being undertaken across the period to the 2026/27 financial year to work towards achieving an in-year balanced position by that date. Those strategies have been discussed in previous meetings and a presentation on each key item is included in a separate item on the agenda.

14. The final iteration of the IOW DSG management plan was submitted in February 2023 after thorough review by senior local authority officers and DfE officials in conjunction with updates and details shared with headteachers and previous Forum meetings. The outcome of the application has very recently been [published](#) and has resulted in financial support for the Isle of Wight in implementing the strategies and eliminating the deficit by 2026/27. Over the 5-year period, local authority officers have negotiated £12.7million of additional DSG to be payable resulting in a predicted cumulative balanced position by March 2027. The forecast DSG and additional Safety Valve payments are summarised in the following table further expanded on within appendix A.

Forecast DSG Position	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
Early years block	6.5	6.9	6.9	6.9	6.9
Schools block	80.7	85.2	85.0	85.0	85.0
High needs block	22.4	23.8	23.7	24.2	23.8
Central block	0.6	0.6	0.6	0.6	0.6
TOTAL FORECAST	110.2	116.4	116.2	116.6	116.3
Estimated DSG	107.9	114.4	115.0	115.7	116.4
In-year deficit	2.2	2.1	1.2	0.9	-0.1
Cumulative Deficit	8.6	10.7	11.8	12.8	12.6
Safety Valve Payment	5.1	1.5	1.5	1.5	3.1
RESIDUAL CUMULATIVE DEFICIT	3.5	4.1	3.7	3.1	0.0

15. Future year payments will be subject to achieving delivery plans and very detailed monitoring arrangements with the DfE on at least a termly basis. This funding is in addition to the recently approved new special free school which forms a key part of the strategy. Alongside this, the authority awaits the outcome of further capital bids in relation to the primary behaviour service, independence hub and apprenticeship hub which are due to be communicated shortly.
16. In addition to the DfE approved funding, and despite very challenging budget setting circumstances the Isle of Wight Council committed in February 2023 to an additional £1.08million towards increased capacity within the statutory assessment element of the SEN service across the plan period. Again, strongly linking to the overall strategy and workstream components.
17. Regular progress updates will continue to be provided through future Schools Forum meetings and Headteacher network updates.

RECOMMENDATIONS

1. That Schools Forum notes the general updates in relation to 2023/24 schools and early years related funding.
2. That Schools Forum endorse the 2023/24 top up funding rates for special schools and pupil referral units.

APPENDICES ATTACHED

Appendix 1 – DSG Forecast (summary DSG management plan March 2023)

BACKGROUND PAPERS

No background papers

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IOW DSG BUDGET 2022/23 PLUS FUTURE YEARS FORECAST (MARCH 2023 SAFETY VALVE AGREEMENT)

APPENDIX A

Service Area	2018-19 Outturn	2019/20 Outturn	2020/21 Outturn	2021/22 Outturn	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
SCHOOLS BUDGET	£m	£m	£m	£m	£m	£m	£m	£m	£m
EARLY YEARS BLOCK	6.9	6.3	6.4	6.3	6.5	6.9	6.9	6.9	6.9
SCHOOLS BLOCK	68.9	70.5	74.1	78.5	80.7	85.2	85.0	85.0	85.0
Place Funding	4.7	4.6	4.5	4.9	5.0	5.1	5.0	5.2	5.6
High Needs Top Up Funding	7.1	8.5	9.0	10.4	11.7	12.7	12.5	13.2	13.7
Independent & Non-Maintained Special Schools	2.2	2.3	3.0	3.5	3.6	3.5	3.6	3.1	1.9
SEN Central Teams	1.0	1.1	1.1	1.2	1.3	1.6	1.2	1.3	1.3
Hospital Education Provision	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Support for Inclusion & Education Out of School	0.2	0.1	0.1	0.1	0.2	0.2	0.7	0.7	0.7
SEN Transport	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
High Needs Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIGH NEEDS BLOCK	15.8	17.3	18.4	20.7	22.4	23.8	23.7	24.2	23.8
CENTRAL SERVICES BLOCK	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
TOTAL SCHOOLS BUDGET	92.1	94.7	99.6	106.2	110.2	116.4	116.2	116.6	116.3

DFE Allocation / Estimate

Early Years Block	6.7	6.4	6.4	6.4	6.5	6.9	6.9	6.9	6.9
High Needs Block	15.1	15.1	16.2	17.8	19.9	21.7	22.4	23.0	23.7
Schools Block	69.5	71.0	74.5	79.3	80.9	0.6	0.6	0.6	0.6
Central School Services Block	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
	91.9	93.1	97.7	104.2	107.9	114.4	115.0	115.7	116.4
In-Year Deficit	0.2	1.6	1.8	2.0	2.2	2.1	1.2	0.9	-0.1
Cumulative Deficit	0.9	2.5	4.3	6.3	8.6	10.7	11.8	12.8	12.6
% of DSG	1.0%	2.7%	4.4%	6.1%	7.9%	9.3%	10.3%	11.0%	10.9%

Safety Valve Payment Profile (subject to compliance with agreement)

NET REMAINING DEFICIT

	5.1	1.5	1.5	1.5	3.1
NET REMAINING DEFICIT	3.5	4.1	3.7	3.1	0.0