

Committee report

Committee	SCHOOLS FORUM
Date	16 JANUARY 2025
Title	DEDICATED SCHOOLS GRANT (DSG) BUDGET 2025/26
Report of	DIRECTOR OF CHILDREN'S SERVICES AND DIRECTOR OF FINANCE

EXECUTIVE SUMMARY

1. This report provides an update on the 2025/26 budget setting following release of dedicated schools grant (DSG) allocations for 2025/26 received in December 2024. This report links to earlier decisions taken by Forum in December 2024 and sets out the budget allocations for each funding block, alongside confirmation of final delegation funding rates.

2025/26 DEDICATED SCHOOLS GRANT FUNDING SETTLEMENT

2. DSG allocations for 2025/26 were released by the Department for Education (DfE) on 18 December 2024, including a breakdown by funding block, building on indicative allocations that were received in the autumn of 2024. The actual allocations can be found on the [DFE Website](#), summarised and compared to the current year in the following table (pre-recoupment of funding passed to academies directly by the Education Skills & Funding Agency (ESFA)).

Block	2024/25 Allocation (Nov24) £000	2025/26 Allocation (Dec24) £000	Change £000
Early years	10,995	15,082	4,087
Schools Block	89,125	93,900	4,775
High needs	22,239	23,786	1,547
Central	616	666	50
Total DSG	122,975	133,434	10,459

3. When comparing between years note that the previously separate Core Schools Budget, Teachers' Pension Contribution and Teacher's Pay Additional Grants equivalent funding has been rolled into the schools block funding formula from 2025/26 in the region of £6.4million.

4. The remaining change between years is a culmination of additional funding added to the early years hourly rates, additional funding to increase early years entitlement for working parents, additional funding added across national level school funding formula factors, additional high needs funding in the region of 7.6 per cent per head of population, and also the financial impact of changes in pupil numbers and characteristics following the October 2024 census.
5. Allocations will be further updated in the summer to reflect the January 2025 early years census and to update the import/export adjustment in relation to high needs.

EARLY YEARS

6. The DfE has confirmed the funding rates which will be used to allocate funding to local authorities in 2025/26. For the Isle of Wight there is an increase in the national funding, 18 pence per hour to under two-year old, 16 pence per hour to two-year old and 22 pence to three and four-year old funding rates. From September 2025, eligible working parents of children aged 9 months and above will be able to access 30 hours from the term following their child turning 9 months to when they start school.
7. The net result for the Isle of Wight, after being updated with January 2024 funded activity, is an increase of £4.087 million in the early years block estimate for 2025/26.
8. Schools Forum is required annually to approve the level of central funding and from the 2025-26 financial year, the pass-through rate increases from 95 to at least 96 per cent of early years funding leaving the remaining 4 per cent towards central costs. The early years central costs support providers and administration of the early year's entitlement.
9. Accounting for inflationary increases and increase in staffing requirements linked to the extension of the funding entitlement for working parents, the 2025/26 central budget proposed to Schools Forum is £469,000, an increase of £42,000 compared to 2024/25 and represents 3.2 per cent of early years entitlement funding and within the allowable 4 per cent.
10. The central team supports through annual visits, targeted support, training, briefings, projects, supporting Early Years children in care, financial reviews, safeguarding audits, and business surgeries to ensure providers deliver high quality childcare provision with a sustainable business model which contribute towards ensuring sufficient children places are available on the Island.
11. The £36,000 change relates to the staffing element of the budget. The proposal is to increase the Funding officer from part time to full time and to appoint an additional 0.5 officer. The proposal is linked to the expansion to Early Years childcare entitlement funding to working parents and substantial increase in workload for Early Years Funding officer.
12. The Funding officer ensures all providers are receiving the correct funding for their setting. Providers submit to the local authority three times a year a headcount for their business. This tells the local authority how many children and how many hours each child in each setting are accessing. A statement is created detailing the funding and payments authorised. The Early Years Funding officer checks eligibility approves codes and then makes payments.

13. Alongside the payments there is a high number of queries from parents and early Years Providers that the Early Years Funding officer has to resolve quickly to ensure deadlines for funding are not missed.
14. The Early Years Funding officer sends out an annual Budget statement to all providers to allow them to forecast their funding against expenditures to ensure the viability of the business. A termly statement is sent to all Providers to ensure any under payments or over payments are reconciled.
15. The remaining increase of £6,000 relates to the expected pay award estimated at 2.3 per cent and minor inflationary increases in the budget.

	2024/25 Current £'000	2025/26 Proposed £'000	Change £'000
Employee related	392	434	42
Transport	5	5	0
Supplies & Services	30	30	0
Central Early Years Team	427	469	42

16. The current and proposed team structure is outlined in the following table:

Team structure	2024/25 FTEs	2025/26 FTEs
Teachers	3.00	3.00
Early Years Advisors	2.00	2.00
Administrator	0.60	0.60
Demand and Supply Childcare Development officer	1.00	1.00
Finance Officer	0.68	1.50
Total	7.28	8.10

17. The Early Years Team is currently consulting with the providers on setting the funding rates for 2025/26. Following outcome of the consultation and in line with DfE requirements, schedule of rates to become active for April 2025. Local authorities are expected to announce funding rates to childcare providers by 28 February. The DfE intend to mandate this requirement in 2026/27 financial year.
18. Yearly years team will be consulting on the introduction of a minor contingency budget within provider rates to mitigate overspend due to children not being captured on the early years censuses. Unlike school funding early years funding to local authorities driven by the early year census, however; the requirement is to fund providers on actual activity. The proposal is to create contingency equivalent to 0.61 per cent of the early years entitlements budget which represents the average overspend percentage on early years entitlement budgets in the last two financial years. The value will amount to £92,000 out of £14.8 million early years entitlement budget.
19. Three and four-year old funding currently involves deprivation and quality factors. The deprivation factor is a mandatory factor for three-four-year entitlement. The quality supplement was added in 2023/24 financial year as a result of the rolling in of the

teacher's pay and pension grant. 2024/25 teachers' pay grant is rolled to the 2025/26 EYNFF, and the equivalent of 1 pence has been added to the to the quality supplement as in previous years.

Rate	2024/25	2025/26	Change to combined rate
LA Funding rate	5.64	5.86	0.22
Central	0.22	0.18	-0.04
Inclusion	0.11	0.11	0.00
Contingency	0.00	0.04	0.04
Provider funding rate	5.31	5.53	0.22

20. The proposal on the three- and four-year-old funding rate that is currently consulted with the providers is as follows:

Rate	2024/25	2025/26	Change
3-4-year-old provider rate	5.31	5.53	0.22
Base	5.10	5.31	0.21
Deprivation	0.19	0.19	0.00
Quality	0.02	0.03	0.01

21. The current two-year-old funding is payable on the base rate and deprivation factor for families receiving additional support entitlement. Early Years Team proposes to simplify the formula to fund the entitlement on the base rate only. Changing the methodology meets the requirement to fund families requiring additional support at least at the same rate as working parents entitlement. The rates that local authorities receive for both entitlements are the same.

Rate	2024/25	2025/26	Change
LA Funding rate	8.06	8.22	0.16
Central	0.32	0.26	-0.06
Inclusion	0.11	0.11	0.00
Contingency	0.00	0.05	0.05
Provider funding rate	7.63	7.80	0.17

22. The proposal on the two-year-old funding rate that is currently consulted with the providers is as follows:

Rate	2024/25	2025/26	Change
2-year-old provider rate	7.63	7.80	0.17
Base	7.55	7.80	0.25
Deprivation	0.08	0.00	-0.08

23. The current under two-year-old funding for working parents is payable on the base rate only. Proposed rate for 2025/26 financial year as follows:

Rate	2024/25	2025/26	Change
LA Funding rate	10.97	11.15	0.18
Central	0.44	0.36	-0.08
Inclusion	0.11	0.11	0.00
Contingency	0.00	0.07	0.07
Provider funding rate	10.42	10.61	0.19

24. The final rates payable for 2025/26 will be confirmed at the March 2025 Schools Forum alongside any updates to the budgets.

SCHOOLS BLOCK

25. The vast majority of schools' block funding is managed through the local school funding formula in budget share allocations to schools which is covered by the separate report on the Isle of Wight school funding formula for 2025/26. The general outcome being the continuation of using national funding formula values, will lead to increases in per pupil funding to all schools.

Growth Fund

26. The growth fund factor allocation was previously agreed in December Schools forum to be ringfenced for Growth budget. The final growth funding factor allocation is £192,577 and the budget for 2025/26 is set to this value.

De-delegated Services

27. Services to be de-delegated were considered at the December 2024 meeting with relevant Schools Forum representatives supporting the continued de-delegation of current services into 2025/26. Following receipt of the DSG allocation, including October 2024 pupil numbers, final per pupil and lump sum charges can be confirmed for maintained schools. The final items, basis and rates for this year and next are included in the following table.

Service	Basis	Primary		Secondary		Budget
		2024/25 (current)	2025/26 (final)	2024/25 (current)	2025/26 (final)	2025/26
Item						
Licenses & subscriptions	Lump sum	£754.45	£769.54	£495.47	£505.38	£26,484
Trade union facilities time	Per pupil	£4.31	£4.40	£4.31	£4.40	£41,364
FSM eligibility checking	FSM6	£1.50	£1.50	£2.50	£2.50	£13,526
	IDACI F	£1.00	£1.00	£1.50	£1.50	
	IDACI E	£1.50	£1.50	£2.00	£2.00	
	IDACI D	£2.00	£2.00	£2.50	£2.50	
	IDACI C	£3.00	£3.00	£3.50	£3.50	
	IDACI B	£3.50	£3.50	£4.00	£4.00	
	IDACI A	£4.00	£4.00	£4.50	£4.50	
TOTAL DE-DELEGATION						£81,374

28. Overall de-delegation budgets are included as part of appendix A in line with assumptions previously presented and agreement from forum members supporting those services. No further School Forum decisions on de-delegation are required. The breakdown of the trade unions budget will be communicated to unions on receipt and analysis of quarter 3 returns.

Education Functions

29. Maintained representatives agreed in December 2024 an increase to the education functions charge of 2% which equates to £1.54 for 2025/26, increasing the charge from £77.00 to £78.54. This charge makes a contribution towards central local authority responsibilities held for maintained schools around statutory and regulatory duties, education welfare, asset management, premature retirement and redundancy.

Function	2024/25	2025/26	%
Statutory & Regulatory Services	£22.23	£22.67	29%
Premature Retirement & Redundancy	£40.19	£40.99	52%
School Improvement	£14.58	£14.87	19%
PROPOSED CHARGE PER PUPIL	£77.00	£78.54	100%

HIGH NEEDS BLOCK

30. The December 2025/26 high needs block allocation has confirmed an increase in funding compared to this year of £1.5 million similar to the value estimated by the DfE through indicative modelling. As a very historically better funded authority the Isle of Wight received a lower level of increase of 7.6 per cent compared to some authorities who saw gains of up to 10 per cent.
31. Despite the increased funding and implementation of Safety Valve initiatives, a significant gap remains for 2025/26 with an underlying budget shortfall in the region of £5.5million. The anticipated £1.52million funding as per Safety Valve agreement will reduce this shortfall to £4.1million. The Safety Valve funding is received tri-annually and confirmed following progress submission to the DfE. There is ongoing work on developing strategies to close this gap. Demand, mix of provision, cost, and linkages to the Safety Valve strategy have been fully considered in drafting the high needs budget for 2025/26.
32. Schools Forum helpfully supported the transfer of 0.5% of schools block funding which equates to £469,498 for 2025/26. The transfer will contribute to non-statutory services that support schools, such as the Primary Behaviour Service and the VSEND toolkit. The remaining high needs savings to be identified stands at £5.584 million (flagged under the high needs contingency line within appendix 1.

Service Area	2024/25		2025/26
	Current Budget	Forecast Outturn	Proposed Budget
	£000	£000	£000
HIGH NEEDS BLOCK ALLOCATION	22,239	22,239	23,786
Place Funding	5,292	5,551	6,167
High Needs Top Up Funding	11,744	13,291	13,679
Independent & Non-Maintained Special Schools	3,957	5,162	4,926
Educated Other Than At School or College	1,653	2,511	2,344
SEN Central Teams	1,321	1,165	1,342
Hospital Education Provision	16	19	16
Primary Behaviour Service	572	496	531
Support for Inclusion & Education Out of School	165	113	165
SEN Transport	670	670	670
TOTAL EXPENDITURE	25,390	28,979	29,840
High needs transfer	446	446	469
Budget Gap	-2,705	-6,293	-5,584
Safety Valve funding	970	970	1,520
Budget Gap after Safety Valve funding	-1,735	-5,323	-4,064

33. These in-year variances will be monitored during Safety Valve period to ensure deliverability by the 2026/27 financial year.

CENTRAL BLOCK

34. Similar to the schools' block, the central block local authority allocation is ultimately based on pupil numbers. The reduction in pupil numbers by 396 has meant the final allocation was £18,000 less than previously estimated in the autumn indicative work. The budget has been allocated on the principles agreed at December 2024 Forum. The national copyright licences value is yet to be confirmed by the DfE and may result in the minor variance to the current budget.

Central Services Expenditure	Final Budget 2025/26 £000
DfE national copyright licenses	£125,509
Independent school non-SEN pupils	£81,600
Servicing of Schools Forum	£14,000
Admissions service	£181,560
Centrally employed teachers' employers pension costs	£70,828
LA statutory functions (all schools)	£192,899
Total	£666,396

OVERALL SCHOOLS BUDGET

35. The DSG allocations by block received on 18 December 2024 are shown in the following table, compared to the final budget breakdown which is set out in appendix A in detail across all blocks. The local authority decides on the overall budget setting, and this is part of the school funding formula political ratification completed during January each year.

Block	DSG Allocation £'000	Budget Allocation £'000	Net Difference £'000
Early Years	15,082	15,082	0
Schools	93,900	93,431	(469)
High Needs	23,786	24,255	469
Central Services	666	666	0
TOTAL DSG	133,434	133,434	0
Recoupment	38,267	38,267	0
NET IWC BUDGET	95,167	95,167	0

36. This total budget includes recoupment 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 ESFA. The amount is £38.267 million which results in a net budget to be

managed by the local authority of £95.167 million. In addition to this, NNDR charges will be deducted at source by the DfE, and relevant local authority business rates departments will be reimbursed directly (£1.6million). This centralisation has no impact on individual school allocations.

37. This final budget will be reported to the DfE through the Section 251 Spring return and will form the basis of Schools Forum budget monitoring for the coming financial year.

RECOMMENDATIONS

1. That Schools Forum approves the Early Years Central Team budget of £468,000 for 2025/26.
2. That Schools Forum endorse the proposed early years funding rates.
3. That Schools Forum notes the proposed DSG budget allocations for 2025/26 set out in appendix A.

APPENDICES ATTACHED

Appendix 1 – Isle of Wight Dedicated Schools Grant Budget 2025/26

BACKGROUND PAPERS

Schools Forum - Paper C 2025-26 School Funding

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ISLE OF WIGHT DEDICATED SCHOOLS GRANT BUDGET 2025/26

Service Area	Proposed Budget £	Recoupment £	GROSS DSG BUDGET £
Under 2 Year Old Entitlement	3,995,631	0	3,995,631
Pupil Premium	5,826	0	5,826
Disability Access Fund	3,752	0	3,752
Under 2 Year Old Free Entitlement	4,005,209	0	4,005,209
2 Year Old Entitlement Working Parents	2,694,792	0	2,694,792
2 Year Old Entitlement Additional Support	1,186,569	0	1,186,569
Pupil Premium	64,747	0	64,747
Disability Access Fund	15,946	0	15,946
2 Year Old Free Entitlement	3,962,054	0	3,962,054
Universal (15hr) & Additional (30hr) Entitlement	6,238,605	0	6,238,605
Early Years Pupil Premium	138,955	0	138,955
Disability Access Fund	58,156	0	58,156
3-4 Year Old Free Entitlement	6,435,716	0	6,435,716
SEN Inclusion	210,000	0	210,000
Early Years Central Expenditure	468,656	0	468,656
EARLY YEARS BLOCK	15,081,634	0	15,081,634
Primary Budget Shares	40,191,898	5,345,562	45,537,460
All-through Budget Shares	8,562,251	0	8,562,251
Secondary Budget Shares	6,724,861	31,593,289	38,318,150
School Budget Shares	55,479,010	36,938,851	92,417,861
De-delegated: Free School Meals Eligibility	13,526	0	13,526
De-delegated: Licences / Subscriptions	26,484	0	26,484
De-delegated: TU Facilities Cover	41,364	0	41,364
De-delegation	81,374	0	81,374
LA Education Functions	738,355	0	738,355
Growth Fund	192,577	0	192,577
SCHOOLS BLOCK	56,491,316	36,938,851	93,430,167
Special Place Funding	3,437,208	0	3,437,208
Resourced Place Funding	315,527	228,000	543,527
Post 16 Place Funding	0	1,100,000	1,100,000
Island Learning Centre - Place Funding	1,054,800	0	1,054,800
LA Education Functions (all schools HN)	31,312	0	31,312
Place Funding	4,838,847	1,328,000	6,166,847
Special School Top Up	5,667,445	0	5,667,445
Mainstream School Top Up	2,847,323	0	2,847,323
Resourced Provision Top Up	953,546	0	953,546
Island Learning Centre Top Up	1,246,327	0	1,246,327
Post 16 Top Up	2,528,966	0	2,528,966
Early Years SEN Funding	180,918	0	180,918
High Needs Top Up Funding - Discretionary	234,360	0	234,360
Pupils in Other Local Authorities Top Up	20,000	0	20,000
High Needs Top Up Funding	13,678,885	0	13,678,885
Independent & Non-Maintained Special Schools	4,926,106	0	4,926,106
Educated Other Than At School or College	2,343,574	0	2,343,574
SEN Central Teams	1,342,341	0	1,342,341
Hospital Education Provision	16,074	0	16,074
Primary Behaviour Service	531,374	0	531,374
Support for Inclusion & Education Out of School	164,967	0	164,967
SEN Transport	670,000	0	670,000
High Needs Contingency	-5,584,318	0	-5,584,318
HIGH NEEDS BLOCK	22,927,850	1,328,000	24,255,850
Admissions Service	181,560	0	181,560
Copyright	125,509	0	125,509
Fees to Independent Schools without SEN	81,600	0	81,600
LA Education Functions (all schools)	192,899	0	192,899
Centrally Employed Teachers	70,828	0	70,828
Servicing of Schools Forum	14,000	0	14,000
CENTRAL SERVICES BLOCK	666,396	0	666,396
TOTAL DSG BUDGET	95,167,196	38,266,851	133,434,047