



Paper D

Purpose: For Decision

Committee report

Committee	SCHOOLS FORUM
Date	23 MARCH 2023
Title	SCHOOL FUNDING POLICY PACK AND SCHEME FOR FINANCING SCHOOLS 2023/24
Report of	DIRECTOR OF CHILDREN'S SERVICES AND DIRECTOR OF FINANCE

EXECUTIVE SUMMARY

1. This report summarises minor housekeeping updates to the school funding policy pack for 2023/24. There is one element requiring specific decisions from Schools Forum, and other elements where Schools Forum acts on a consultative basis. The report also confirms there are no locally proposed updates to the Scheme for Financing Schools at this moment in time. The updated policy pack will become active from the 1 April 2023 and the revised Scheme for Financing Schools applicable as maintained schools move into 2023/24.

BACKGROUND

2. The Isle of Wight School Funding Policy Pack is a document refreshed annually to take account of changing policies for allocating different elements of funding to schools outside of core formula driven funding. Currently it contains sections for Growth Fund (including falling rolls), Contingency, Split Sites, SEN Additional Funding and Over Occupancy Funding.
3. The Scheme for Financing schools sets out the financial relationship between local authorisation and the schools they maintain. It is a significant statutory document that local authorities must publish. Changes to the scheme must involve consultation with all maintained schools and approval from relevant Schools Forum members except when the changes are minor housekeeping or directed revisions by the Secretary of State.

SCHOOL FUNDING POLICY PACK

4. The 2023/24 school funding policy pack continues to include the existing policies from the 2022/23 financial year. The final versions of the policies are included in Appendix A.

5. No changes other than housekeeping have been made to all of the policies. The housekeeping is primarily around updated links to Department for Education (DfE) guidance, and updated examples to reflect current values of basic entitlement (AWPU) funding for instance. Operational guidance for 2023/24 financial year from the ESFA has not directed any changes to existing practices that require updating.
6. Although Schools Forum acts on a consultative basis for reviewing the policy pack, there are decisions required for elements of it specifically, the growth fund and falling rolls criteria. These powers and responsibilities of Schools Forum can be found on the Department for Education (DfE) website https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/888262/Schools_forum_powers_and_responsibilities.pdf
7. An extract of the guidance explains that Schools Forum decide on the level of central spend and on the criteria for allocating funding.
 - a. Funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy
 - b. Funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within the next three years.
8. The policy pack includes no changes to these two items. The growth fund budget basis was agreed by School Forum for 2023/24 at the November 2022 as a balancing item in meeting the NFF values within the formula. As such, an insignificant £326 budget has been set for upcoming financial year but will remain under continued review going forward.
9. Through the DfE consultations over the past two years, consideration is being given to the role of growth funding as core funding moves towards the direct national funding formula. Future iterations of growth funding criteria and policies may be impacted by the eventual outcome of those consultations.

SCHEME FOR FINANCING SCHOOLS

10. The Isle of Wight Scheme for Financing Schools was last reviewed at the March 2022 Schools Forum. There were no mandated changes at that point.
11. Since then, DfE have not communicated further mandated requirements. There was one minor housekeeping change of the removal of reference to Salix Scheme (section 3.6.4) as it's now closed, which will be reflected in 2023 version. No further changes are proposed to the current Isle of Wight Scheme for Financing Schools.
12. There is potential for a DfE update on requirements during 2023/24 financial year and if this happens consideration of an in-year update to the scheme will take place depending on DfE mandatory instruction.

RECOMMENDATIONS

1. That representatives approve the continuation of the existing criteria for growth and falling rolls for 2023/24 detailed in Appendix A.
2. That representatives note the minor housekeeping updates to the policy pack in Appendix A which will apply from 1 April 2023.
3. That representatives note the minor update to the Isle of Wight Scheme for Financing Schools applicable from 1 April 2023.

APPENDICES ATTACHED

Appendix A – School Funding Policy Pack 2023/24

BACKGROUND PAPERS

Isle of Wight Scheme for Financing Schools

<https://www.iow.gov.uk/Residents/Schools-and-Learning/School-Funding/Scheme-for-Financing-Schools>

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Reviewed March 2023

SCHOOL FUNDING POLICIES

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Growth Fund

Growing Schools

In February 2023, the Department for Education (DfE) updated the '[Schools revenue funding 2023 to 2024: operational guide](#)', in which they stated local authorities can centrally retain Dedicated Schools Grant (DSG) to support schools which are supporting growth in pre-16 pupil numbers to meet basic need, to support additional classes needed to meet the infant class size regulation and to meet the costs of new schools, including lead in, start up and diseconomy costs.

The growth fund may not be used to support schools in financial difficulty or general growth due to popularity.

This is subject to the following DfE requirements:

1. Local authorities must produce criteria for allocating growth funding. The criteria should set out both the circumstances in which a payment is made and the basis for calculating the sum to be paid.
2. Local authorities will need to propose the criteria to Schools Forum and gain its agreement before growth funding is allocated. The local authority will also need to consult the Schools Forum on the total sum to be top-sliced from each phase and must regularly update the Schools Forum on the use of the funding.
3. The growth fund must be ring-fenced so that it is only used for the purposes of supporting growth in pre-16 pupil numbers to meet *basic need*.
4. The growth fund is for the benefit of both maintained schools and academies.
5. Any unspent growth funding remaining at the year-end should be reported to Schools Forum. Funding may be carried forward to the following funding period as with any other centrally retained budget, and can be used specifically for growth or falling rolls if the authority wishes.
6. The use of the growth fund is solely for the purposes of supporting growth in pupil numbers, to support additional classes needed to meet the infant class size regulation and to meet the costs of new schools.

Any costs met or additional funding provided to schools in relation to the growth fund is subject to agreement in advance with the local authority.

Growing Schools criteria and funding mechanism

The current Isle of Wight criteria and mechanism for funding growing schools is set out below.

- If a school is asked by the Authority to admit in excess of its Planned Admission Number (PAN) in the normal admissions round, there may be a need to run an additional class or employ an extra teacher in keeping with

infant class size regulations (maximum of 30 pupils in a class). This will require the appointment of an additional teacher in advance of the class coming into being.

- A funding mechanism, based on a per pupil top-up would be applied. The funding would be based on 7/12 (covering September to March) of the Age Weighted Pupil Unit (AWPU) funding for the additional pupils.

Where the number of pupils triggering the need for an additional class is less than 5, growth funding will be allocated in advance on a termly basis in recognition of the possibility of pupil numbers falling to the extent that an additional class is no longer required.

A number on roll increase must be agreed with the admissions team to constitute a *planned* growth. The School Funding team will then be informed about schools that have a planned growth having agreed forecast pupil numbers with the school.

For the avoidance of doubt, growth funding can only be allocated where there is a growth in basic need in the area requiring a school to admit above PAN or to increase their PAN, in agreement with the admissions team. Where schools see an increase in pupil numbers due to popularity, whether within or by increasing their PAN, growth funding cannot be allocated. Where schools are operating below PAN and see an increase in pupil numbers within their existing capacity, they must manage this within their lagged funding.

Funding mechanism

Examples of different funding scenarios

Some different funding scenarios are listed below to demonstrate the application of the current funding mechanism:

Example 1 – required to open an extra class

If a school ran an additional class, as agreed with the authority, then the school will require a minimum of 20 children to fund a class (e.g. 20 x AWPU of £3,442 = £68,840 in a full year) to cover the cost of a teacher, including on-costs, and other associated costs.

As such the school would be funded in the first year on the basis of increasing the year group by 20 pupils in the September regardless of the actual number of pupils in the class and would receive $20 \times 7/12 \times \text{AWPU} = £40,157$. If the additional class has 20 or more children all will be counted in the October census and the school will receive the full year's pupil led funding for all 20 children through the school's budget share. There will be no further adjustments to the school's budget.

If less than 20 additional children are admitted to the school, there may be a need to “top up” the school’s funding to this level. This funding is not guaranteed, and each situation will be assessed on an individual case basis and reviewed annually.

Example 2 – increased intake but no extra class required

In instances where schools admit pupils at the Authority’s request but no extra class is required the school would receive $7/12 \times \text{AWPU}$ for the equivalent number of children. The school would then receive the full year pupil led funding for these additional children based on the following October census. No further adjustment to the school’s budget will be required.

Infant Class Size regulations

In rare circumstances where the admission of “excepted pupils” to an infant class results in an average class size of 33 or above (through agreement with the local authority and the school), it is proposed that growth funding be allocated to meet the average cost of a Learning Support Assistant.

The allocation of such funding would be reviewed on a termly basis in respect of the agreed numbers for the following term. In order to ensure funding is fair and consistent, the class size will be calculated by using the average number of pupils in the year group impacted (number of pupils divided by the number of classes).

For example, a school with 90 pupils plus three excepted pupils would not normally be eligible for this funding, as the average class size is 31 ($93 / 3$). In this example the school would need to have nine excepted pupils in the year group impacted to be eligible for the funding ($99/3 = 33$). Exceptional circumstances may only be agreed by the local authority.

Secondary Growing Schools

The same funding mechanism used for primary schools would be applied to secondary schools. As such, secondary schools would receive $7/12 \times \text{AWPU}$. The schools would then receive the full year pupil led funding for the additional pupils based on the following academic year’s October census.

Falling Rolls

The DfE's '[Schools revenue funding 23 to 24: operational guide](#)' sets out the criteria for a falling rolls policy.

This is subject to the following DfE requirements:

- A small fund can be retained centrally before the formula is calculated to support good schools with falling rolls where local planning data show that the surplus places will be needed within the next three years. The Schools Forum should agree both the value of the top slice and the criteria for allocation, and the local authority should regularly update the Schools Forum on the use of the funding.
- Criteria for allocating funding should contain clear trigger points for qualification and a clear formula for calculating allocations.
- Any falling rolls funds remaining at the end of the financial year should be reported to Schools Forum. Falling rolls funding carried forward to the following funding period can continue to be used specifically for falling rolls if the authority wishes.

Isle of Wight Criteria

Schools must meet all of the following criteria to be eligible for falling rolls funding:

- Must have had a falling number on roll for a minimum of 2 years based on the autumn term census
- Number on roll must have fallen by more than 5% in both years.
- Must have an Ofsted rating of good or outstanding. The Ofsted ratings will be taken as at census day in October
- The forecast pupil data must show the school is expected to have an increase in pupil numbers by the end of the 3 years (e.g. years 2 to 3)
- Pupil numbers must also show the school is increasing numbers in future years 4 and 5 to ensure sustained growth
- School are not eligible if they are deemed to have an excess balance
- Schools cannot receive more than 5% of budget share or £100,000

The data showing schools forecast pupil data is taken from the SCAP return which is a School level capacity return. Local authorities are required to provide data and information on all state-funded primary and secondary schools in their areas. This data is returned to the Education Skills & Funding Agency (ESFA) in August each year.

The SCAP return does not include special schools and education centres. Any growth in special schools and education centres anticipated over the next 2 -3 years and ongoing would need to be agreed by the admissions team in conjunction with the SEN department.

An excess balance is deemed as those schools that have had a balance of over 10% of budget share for the last 3 years.

Methodology

Any schools that have fallen in roll by more than 5% from the previous year will be funded for the percentage above this. For example, a school that has dropped 50 pupils, which is a 10% reduction, will receive funding for 25 pupils, which is the amount over and above the 5%.

Primary and Secondary Schools will be funded on the pupil led funding for each school rather than simply the Age Weighted Pupil Unit. Using this method will take into account the other pupil led factors for which schools receive funding for example deprivation, looked after children, low attainment, mobility and English as an additional language. This approach takes into account the profile of each school and assumes any new pupils will have similar attributes. Using the example above the school will receive their school level AWPU of £3,442 x 25 pupils = £86,050

Special schools and Education centres will be funded on the basis of per place funding.

Contingency

The DfE lists a limited range of services where central provision for maintained schools may be argued on the grounds of economies of scale or pooled risk, which includes contingencies. This is a de-delegated budget and relates to maintained primary and secondary schools.

The DfE states that contingencies can only be retained centrally for maintained schools for a limited range of circumstances:

- **Exceptional unforeseen costs**
- **Schools in financial difficulties**
- **Deficits of closing schools**

Maintained schools have elected not to de-delegate a contingency budget, and so there is not a current policy for how such funding is distributed.

Split Sites

The Department for Education permits a split-sites factor to be used within the mainstream school funding formula, under the following criteria:

- Criteria for providing extra funding should be clear and transparent, incorporating clear and objective trigger points, and a clear formula for allocating additional funding.
- All schools and academies that meet the criteria will be eligible for split site funding.
- Schools sharing facilities, federated schools and schools with remote sixth forms or remote early years provision are not eligible for split site funding.

The funding is allocated to cover the additional costs of operating a split site. Likely additional costs identified are:

- Additional infrastructure and transport costs
- Additional administration costs
- The extra cost of running two reception areas
- Additional caretaking
- Additional IT costs

The funding will consist of a lump sum of £30,000 for eligible schools. This additional funding is intended to meet the costs directly associated with school premises being separated. Any additional costs relating to an extended site such as when two neighbouring schools merge or solely due to being a large school or having a large site would not be applicable.

The school must meet the following criteria to be eligible for split site funding:

- At least 20% of the school's total pupils must receive a range of core education on each site
- Travel between the two sites must require access via a public highway
- Must be a single school with one DfE number
- Funding will continue to be allocated where a split site exists
- New split sites will only receive funding with the prior written agreement of the local authority, where the split site is unavoidable in delivering core education

Where schools are considering entering into a new split site arrangement, they are advised to enter into early discussion with the local authority to establish whether it would be eligible for split site funding.

SEN Additional Funding (CAP)

Purpose

To provide additional discretionary funding for schools that are disproportionately impacted by the cost of high needs pupils relative to their budget share.

Operation of the policy

The threshold for additional financial support is set at 5% of budget share. This is the figure before de-delegation and excluding any resourced provision funding.

A school's spend on pupils with EHCPs will be based on the number of pupils that the school receives top-up funding for through the local authority financial year.

The methodology for calculating whether a school is eligible for any additional funding under the policy is as follows:

1. Calculate 5% of the school's budget share (A)
2. Calculate the school's contribution to support for high needs pupils, which is calculated as the number of FTE pupils the school has received top-up funding for in the local authority financial year, multiplied by £6,000 (B)
3. If B is greater than A, additional funding will be provided.

A fixed budget of £30,000 is available for additional funding, and this will be distributed between schools based on relative need, measured by the costs at each qualifying school over the 5% funding threshold. See the worked example below for more detail.

The funding will be paid at the end of the local authority financial year once the final spend on high needs pupils has been confirmed.

Worked Example

Based on three schools only, with a total budget for additional funding of £30,000

School	A	B	C
Budget Share	£500,000	£500,000	£1,000,000
5% threshold	£25,000	£25,000	£50,000
FTE high needs pupils	4	8	12
Cost of high needs pupils	£24,000	£48,000	£72,000

Pupil cost over threshold	NIL	£23,000	£22,000
Proportion of additional funding allocated	0%	51%	£49%
Additional funding payable	£0	£15,333	£14,667

Over-Occupancy Funding

This funding is payable to academy and maintained special schools, schools with resourced provisions and pupil referral units (PRUs).

This funding ensures that a school is not financially disadvantaged in the event of their actual average occupancy across the financial year (April to March) exceeding their agreed place number (APN). The APN for each specialist provision is agreed between the SEN department and the school prior to the start of the year.

The funding is calculated by taking the average actual pupil numbers for the year and comparing it to the APN. If this number is greater than the APN, the additional places are funded at the place funding rate (currently £10,000). The pupil numbers are the actual termly FTE pupils used for the purposes of calculating top-up funding. A worked example can be found below:

School APN – **45**

Actual average pupil numbers across year = **47**

Over occupancy funding = **£20,000** ($47 - 45 = 2 \times £10,000$)

Funding is calculated and transferred to the school at the end of the local authority financial year, once all of the top-up funding and pupil numbers have been finalised.

For resourced provisions, the same calculation is applied. However, the place funding value will be either £10,000 or £6,000, depending on the occupancy of the unit in the previous October census. Places up to the number of pupils occupying the unit at the previous October census and on the roll of the host school will be funded at £6,000 and places above this number will be funded at £10,000.

Funding is only payable when a school exceeds the APN. Place funding will not be adjusted in the event of when the average pupil numbers for the year is lower than the APN.