



Committee report

Committee	SCHOOLS FORUM
Date	19 JANUARY 2023
Title	DEDICATED SCHOOLS GRANT (DSG) BUDGET 2023/24
Report of	DIRECTOR OF CHILDREN'S SERVICES AND DIRECTOR OF FINANCE

EXECUTIVE SUMMARY

1. This report provides an update on the 2023/24 budget setting following release of dedicated schools grant (DSG) allocations for 2023/24 received in December 2022. This report links to earlier decisions taken by Forum in November 2022 and sets out the budget allocations for each funding block, alongside confirmation of final delegation funding rates.

2023/24 DEDICATED SCHOOLS GRANT FUNDING SETTLEMENT

2. DSG allocations for 2023/24 were released by the Department for Education (DfE) on 16 December 2022, including a breakdown by funding block, building on indicative allocations that were received in the summer of 2022. 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	2022/23 (Nov22) £'000	2023/24 (Dec-22) £'000	Change £'000
Early Years	6,534	6,869	335
Schools Block	80,901	85,168	4,267
High needs	19,914	21,725	1,811
Central	593	598	5
Total DSG	107,942	114,360	6,418

3. When comparing between years note that the previously separate Supplementary Grant equivalent funding has been rolled into the schools block funding formula from 2023/24 in the region of £2.4million.
4. 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 9.8 per

cent per head of population, and also the financial impact of changes in pupil numbers and characteristics following the October 2022 census.

5. Allocations will be further updated in the summer to reflect the January 2023 early years census and to update the import/export adjustment in relation to high needs which is normally minor.
6. The government's November 2022 Autumn Statement announced additional funding of £2.4 billion nationally from 2023/24 through a new specific grant which will contribute towards supporting school inflationary pressures in particular around pay and energy. The value of Mainstream Schools Additional Grant (MSAG) for Isle of Wight schools is expected to be in the region of £2.92 million and will be published in spring 2023. This grant is specific to be passported on to schools and outside of the Dedicated Schools Grant, and therefore outside the scope of this report but some detail has been included within the funding formula report (Paper C).

EARLY YEARS

7. The Department for Education (DfE) has confirmed the funding rates which will be used to allocate funding to local authorities in 2023/24. For the Isle of Wight there is an increase in the national funding, adding 25 pence per hour to two-year old and 10 pence to three and four-year old funding rates. The net result for the Isle of Wight after being updated with the January 2022 census data, is an increased allocation by £335,000 early years block estimate for 2023/24, however the final allocation is normally updated in July after the impact of the January 2023 census is confirmed.
8. There are a number of changes in the 2023/24 funding formula, including updating underlying data in the area cost adjustment and in the additional needs factor in 3-4-year-old funding, amendments to proxy measure for premises related costs, introduction of 1% protection and rolling of the teacher's pay and pension funding into EYNFF are amongst the main ones.
9. Schools Forum is required annually to approve the level of central funding. Local authorities are required to pass through at least 95% of their three and four-year old funding from government to early years providers, which is assessed on the planned budgeted spend. The remaining DfE limited 5% can be used for centrally retained services.
10. In line with the DfE 5% threshold, the proposed central budget for 2023/24 is £328,070. The Early Years Advisory Team (EYAT) supports 82 providers resulting in 97% of funded three and four year olds benefiting from an early years setting judged to be good or outstanding by Ofsted (above the national average).
11. The central team supports through annual visits, targeted support, training, 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. The £21,000 change relates to the expected pay award, incremental increases and inflationary pressures only.

	2022/23 Current £'000	2023/24 Proposed £'000	Change £'000
Employee related	278	298	20
Transport	4	4	-
Supplies & Services	25	26	1
Central Early Years Team	307	328	21

12. The additional early years block funding allows some increases in the rates payable, and the Early Years Team will be discussing with providers through January to communicate the schedule of rates to become active for April 2023, in line with DfE requirements to issue budget estimates to providers by 31 March 2023.
13. The current and proposed funding rates are included in the following tables proposing an increase in the funding rates for two-year olds to £5.55 and three and four-year olds average rate to £4.52.
14. Two year old funding is payable on a base rate only, and local authorities are encouraged by the DfE to fund providers on the basis of a flat hourly rate for all establishments, so it is proposed the increase will be applied directly to that rate, increasing the rate payable by 6 pence. An increase in Early Years SEN Inclusion Fund rate by 3 pence is required to reflect the increase in demand for support to children with emerging SEN.

Rate	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

15. Three and four-year old funding currently involves deprivation and flexibility factors and Early Years Team proposing no change to these elements of the funding. The proposal for 2023/24 is to distribute rolled-in EYNFF teacher's pay and pension funding equivalent to 1 pence rate, to eligible providers as per DfE guidance, via the quality supplement. An increase in the early years SEN inclusion fund rate by 3 pence is reflective of the increase in demand for support to children with emerging SEN.

Rate	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

16. The expected proposal on the three and four year old funding rate that will be discussed with providers is as follows:

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%	

17. The final rates payable for 2023/24 will be confirmed at the March 2023 Schools Forum alongside any updates to the budgets.

SCHOOLS BLOCK

18. 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 2023/24. 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

19. The growth fund was previously agreed in November as a balancing item in meeting the overarching objective of using the NFF formula factor values for the local formula. Unfortunately, a material shift in pupil characteristics has meant that the inclusion of a local growth fund budget for 2023/24 is unaffordable other than a minor £326 residual balancing budget. Rises in proportions of free school meal children in particular, requires more of the schools block allocation to be distributed through the funding formula. Previously estimated expenditure in relation to the secondary sector in particular will no longer be affordable from the 2023/24 DSG allocation.

De-delegated Services

20. Services to be de-delegated were considered at the November 2022 meeting with relevant Schools Forum representatives supporting the continued de-delegation of current services into 2023/24. Following receipt of the DSG allocation, including October 2022 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 2023/24
		2022/23 (current)	2023/24 (final)	2022/23 (current)	2023/24 (final)	
Item						
Licenses & subscriptions	Lump sum	£797.99	£725.43	£666.90	£476.41	£26,649
Trade union facilities time	Per pupil	£3.94	£4.14	£3.94	£4.14	£46,152
FSM eligibility checking	FSM6	£1.50	£1.50	£2.50	£2.50	£17,104
	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						£89,905

21. 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

22. Maintained representatives agreed in November 2022 an increase to the education functions charge, increasing it by £6.50 to £72.00 per pupil for 2023/24. 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. The increase purely related to the full year effect of the loss of the previously separate School Improvement Monitoring & Brokering Grant.

Function	2022/23	2023/24	%
Statutory & Regulatory Services	£19.42	£19.42	27%
Premature Retirement & Redundancy	£38.58	£38.58	54%
School Improvement	£7.50	£14.00	19%
PROPOSED CHARGE PER PUPIL	£65.50	£72.00	100%

HIGH NEEDS BLOCK

23. The December 2023/24 high needs block allocation has confirmed an increase in funding compared to this year of £908,000 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. In addition to this core increase and as a result of the government's Autumn Statement, a further 2023/24 increase of £903,000 has been received, providing a total £1.8million (9.1 per cent) increase in funding.
24. Despite the increased funding, and a rolling very detailed review of the 4-year forecast position, a significant gap remains for 2023/24 with an underlying budget shortfall in the region of £2.08million as the funding formula does not fully account for the Isle of Wight's higher demand and incidence of special educational needs, alongside funding failings at a national level being experienced across many authorities. Demand, mix of provision, cost, and linkages to the SEN sufficiency strategy have been fully considered in drafting the high needs budget for 2023/24.
25. Schools Forum helpfully supported the continued transfer of up to 0.5% of schools block funding, which after a slight reduction in wider pupil numbers would have been a potential transfer of £428,000. Affordability in achieving the core aim of using NFF values in the school funding formula (as a result of movements in pupil characteristics) means that none of the transfer is achievable and is therefore NIL within the 2023/24 budget setting. The remaining high needs savings to be identified stands at £2.089 million (flagged under the high needs contingency line within appendix A).

Service Area	2022/23		2023/24
	Current Budget	Forecast Outturn	Proposed Budget
	£000	£000	£000
HIGH NEEDS BLOCK ESTIMATED/ACTUAL	19,914	19,914	21,725
Place Funding	4,954	4,954	5,116
High Needs Top Up Funding	10,350	11,666	12,684
Independent & Non-Maintained Special Schools	3,777	3,633	3,537
SEN Central Teams	1,343	1,275	1,630
Hospital Education Provision	16	16	16
Support for Inclusion & Education Out of School	137	150	162
SEN Transport	670	670	670
High Needs Contingency	0	0	
TOTAL EXPENDITURE	21,247	22,365	23,815
Budget Gap	-1,334	-2,452	-2,089
School Block Transfer	211	211	0
Shortfall	-1,123	-2,241	-2,089

Safety Valve

26. 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 so far 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. The latest iteration of the IOW DSG management plan is currently being considered by government during the January to March 2023 period which if supported could result in financial support for the remaining 2023/24 budget setting gap.
27. Crucial to managing down the funding shortfall in the longer term is further implementation of the relevant strategies and continued engagement with the programme monitoring and delivery requirements.

Special School & Pupil Referral Unit Funding

28. Alongside the additional funding confirmed in December, was additional high needs operational guidance around funding passed to special schools and the pupil referral unit. There are two proposed funding increases applicable to these schools and indicative budget shares have been shared with the schools for comment.
- 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).

29. The final budget shares will be communicated later in February, and Schools Forum will be updated on the outcome as part of the usual budget related reporting.

CENTRAL BLOCK

30. Similar to the schools block, the central block local authority allocation is ultimately based on pupil numbers. The reduction in pupil numbers by 89 has meant the final allocation was £3,000 less than previously estimated in the summer indicative work.

31. The allocation still allows the previously agreed items from November 2022 Forum to be honoured and the agreed balancing item being the local authority statutory functions contribution absorbing the pupil number related shortfall. The DfE copyright item is set by the DfE and the final figure for 2023/24 was provided in December 2022 to enable setting this budget.

Central Services Expenditure	Final Budget 2023/24
DfE national copyright licenses	£102,061
Independent school non-SEN pupils	£80,000
Servicing of Schools Forum	£14,000
Admissions service	£178,000
Centrally employed teachers' employers pension costs	£22,527
LA statutory functions (all schools)	£201,162
Total	£597,750

OVERALL SCHOOLS BUDGET

32. The DSG allocations by block received on 16 December 2022 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	6,869	6,869	0
Schools	85,168	85,168	0
High Needs	21,725	21,725	0
Central Services	598	598	0
TOTAL DSG	114,360	114,361	0
Recoupment	25,636	25,636	0
NET IWC BUDGET	88,724	88,724	0

33. 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 £25.636 million which results in a net budget to be managed by the local authority of £88.724 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 (£1.2million). This centralisation has no impact on individual school allocations.
34. 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 £328,070 for 2023/24.
2. That Schools Forum endorse the proposed increases for the early years funding rates.
3. That Schools Forum notes the proposed DSG budget allocations for 2023/24 set out in appendix A.

APPENDICES ATTACHED

Appendix A – Isle of Wight Dedicated Schools Grant Budget 2023/24

BACKGROUND PAPERS

[School Forum November 2022 – Paper E 2023/24 School Funding](#)

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ISLE OF WIGHT DEDICATED SCHOOLS GRANT BUDGET 2023/24

Service Area	Proposed Budget £	Recoupment £	GROSS DSG BUDGET £
2-Year-Old Free Entitlement	897,881	0	897,881
Universal (15hr) & Additional (30hr) Entitlement	5,395,248	0	5,395,248
Early Years Pupil Premium	89,439	0	89,439
Disability Access Fund	52,992	0	52,992
3-4-Year-Old Free Entitlement	5,537,679	0	5,537,679
SEN Inclusion	106,000	0	106,000
Early Years Central Expenditure	328,070	0	328,070
EARLY YEARS BLOCK	6,869,630	0	6,869,630
Primary Budget Shares	37,042,367	5,179,758	42,222,125
All-through Budget Shares	7,716,515	0	7,716,515
Secondary Budget Shares	14,899,585	19,436,633	34,336,218
School Budget Shares	59,658,467	24,616,391	84,274,858
De-delegated: Free School Meals Eligibility	17,104	0	17,104
De-delegated: Licences / Subscriptions	26,649	0	26,649
De-delegated: TU Facilities Cover	46,152	0	46,152
De-delegated: School Improvement	0	0	0
De-delegation	89,905	0	89,905
LA Education Functions	802,656	0	802,656
Growth Fund	326	0	326
SCHOOLS BLOCK	60,551,354	24,616,391	85,167,745
Special Place Funding	2,887,253	0	2,887,253
Resourced Place Funding	415,042	0	415,042
Post 16 Place Funding	0	1,020,000	1,020,000
Island Learning Centre - Place Funding	768,774	0	768,774
LA Education Functions (all schools HN)	24,690	0	24,690
Place Funding	4,095,758	1,020,000	5,115,758
Special School Top Up	4,321,203	0	4,321,203
Mainstream School Top Up	2,397,064	0	2,397,064
Resourced Provision Top Up	675,678	0	675,678
Island Learning Centre Top Up	869,621	0	869,621
Post 16 Top Up	1,885,467	0	1,885,467
Early Years SEN Funding	244,786	0	244,786
High Needs Top Up Funding - Discretionary	753,674	0	753,674
Education Personal Budgets	1,516,305	0	1,516,305
Pupils in Other Local Authorities Top Up	20,000	0	20,000
High Needs Top Up Funding	12,683,797	0	12,683,797
Independent & Non-Maintained Special Schools	3,537,048	0	3,537,048
SEN Central Teams	1,629,963	0	1,629,963
Hospital Education Provision	16,074	0	16,074
Support for Inclusion & Education Out of School	161,800	0	161,800
SEN Transport	670,000	0	670,000
High Needs Contingency	-2,088,732	0	-2,088,732
HIGH NEEDS BLOCK	20,705,707	1,020,000	21,725,707
Admissions Service	178,000	0	178,000
Copyright	102,061	0	102,061
Fees to Independent Schools without SEN	80,000	0	80,000
LA Education Functions (all schools)	201,162	0	201,162
Centrally Employed Teachers	22,527	0	22,527
Servicing of Schools Forum	14,000	0	14,000
CENTRAL SERVICES BLOCK	597,750	0	597,750
TOTAL DSG BUDGET	88,724,441	25,636,391	114,360,832

