

ITEM 3**Dedicated Schools Grant (DSG) School Funding Formula – 2021/22
Formula Factors**

Schools Forum – 9 November 2020

Recommendation**The Schools Forum is asked to:**

Agree on the formula factors to be used in the setting of the 2021/22 schools budgets set out in Table 2 below

Members of Forum allowed to vote:- All school and academy members are able to vote. Only early years representatives from the non schools members are able to vote. Non-school members even if represented by school staff are not eligible to vote.

1. Background

- 1.1** The National Funding Formula (NFF) came into effect in April 2018 for schools, high needs, early years and central services block. The schools block NFF calculates a notional allocation at a school level and then aggregates these to produce the LA level allocations. The Department for Education (DfE) have confirmed the intention to move to a hardening of the individual factors between now and 2024/25 however for 2021/22, local authorities will continue to be allowed to determine final funding allocations for schools through a local formula. In 2020/21 Schools Forum made the decision to move closer to the NFF on some factors by taking the mid-point between the previous year's factor rate and the NFF rate. This paper continues on this path towards NFF and sets out two options: move to the NFF in 2021/22 or make a partial transition to ease the potential turbulence of moving to a 'hard formula' at a later stage.
- 1.2** This paper sets out each of the factors that are used in the Croydon local formula, the rate/amounts in the NFF and rates at the midpoint between the two.
- 1.3** The schools block is ring-fenced in 2021 to 2022, but local authorities can transfer up to 0.5% of their schools block funding into another block, with the approval of their schools forum. However, there is no request to transfer between blocks at this time.

2. Provisional funding allocation

- 2.1** The NFF provisional allocation for 2021/22 is below in Table 1. The funding is an indicative allocation and subject to change following pupil numbers adjustments after the October census. Final allocations have in prior years been issued in late December. The movement shows an indicative increase of £16.4m from the 2020/21 final allocation.

2.2 The Teachers pensions & the teachers' pay award grants have been rolled into the schools block funding. In 2020/21 the grants approx. £14.5m.

Table 1 Schools Block provisional allocation 2021/22

	Total 2020/21 final allocation	Provisional funding in 2021/22	Movement
Schools block allocation	£262,963,215	£279,332,919	£16,369,704

3. Formula factors

The formula factors used in Croydon and which require Schools Forum approval are set out below and are summarised in Table 2.

Table 2 Formula factors requiring approval

Para No.	Formula factor	Approval type -2021/22
3.1	Minimum per pupil funding	To note (compulsory factor and rate)
3.2	Age weighted pupil unit	To note (compulsory factor and local rate)
3.3.1	Deprivation - IDACI	To agree to continue to use as a method of calculating deprivation; To agree rates to be used (compulsory / discretionary)
3.3.2	Deprivation - FSM	To agree to continue to use as a method of calculating deprivation; To agree continue to follow NFF rates (compulsory / discretionary)
3.4	Low prior attainment	To agree (optional / discretionary)
3.5	English as an additional language	To agree (optional / discretionary)
3.6	Looked after children	To agree (optional / discretionary)
3.7	Lump Sum	To agree (optional / discretionary)
3.8	Mobility	To agree (optional / discretionary)
3.9.1	Private Finance Initiative - RPI	Compulsory factor as have one but with an (optional / discretionary)

3.9.2	Private Finance Initiative – base rate increase	To agree (optional / discretionary)
3.10	Minimum Funding Guarantee	To agree (compulsory)
3.11	Growth	Criteria for growth agreed SF 5 th October 2020

3.1 Minimum per pupil level funding

Minimum per pupil funding level is set by the NFF to ensure that each pupil attracts a basic level of funding thus ensure that if no other factor is relevant that there is a minimum level each pupil at each school phase should be funded for.

Table 3 Rates for Minimum per pupil level funding

School phase	2019/20 local rate per pupil	NFF & Croydon rate per pupil 2020/21	Croydon 2021/22 rate per pupil	Variance
Primary school	£3,500	£3,750	£4,180	£430
Secondary school	£4,800	£5,000	£5,415	£415

3.1 **Schools Forum are requested to note that the mandatory minimum per pupil level funding rates for 2021/22.**

3.2 Age weighted pupil unit (AWPU)

The funding formulae will calculate a rate of AWPU after all the other factors amounts have been allocated. The amount will be flexed dependent on our final allocation from the DfE in December. The AWPU rates for prior years are below. Our initial modelling of the indicative allocations shows an expected increase in the AWPU rates for 2021/22.

Table 4 AWPU rates

School phase	2019-20 rate per pupil	2020-21 rate per pupil (@NFF/local midpoint)	2021/22 proposed rate per pupil	AWPU at NFF rates	AWPU at midpoint rates
Primary (Yrs R-6)	£3,151.22	£3,396.13	TBC	£3,713.01	£3,754.79
Key Stage 3 (Yrs 7-9)	£4,088.66	£4,389.41	TBC	£4,772.23	£4,814.02

Key Stage 4 (Yrs 10-11)	£4,372.23	£4,689.89	TBC	£5,090.00	£5,131.78
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3.2 Schools Forum are requested to note that the AWPU can only be determined after the LA receives the final allocation.

3.3 Deprivation

This is a compulsory factor and is made up of 3 elements; free school meals (FSM), free school meals 6 (FSM6) and the income deprivation affecting children index (IDACI). Schools Forum can choose to use free school meals (FSM and FSM6) and/or IDACI.

For 2021/22 the DfE have set revised IDACI banding rate amounts. The intention is for this factor to be moved to a 'hard formula' to introduce nationally consistent factor values.

Table 5 sets out the NFF IDACI rates per primary and secondary pupil alongside the midpoint rate from the 2020/21 IDACI rate used in Croydon.

See Appendix A for definition of FSM6 relates to and the IDACI movements

Table 5 IDACI rates

School phase	2020/21 IDACI rate per primary pupil used in Croydon (midpoint rate)	2021/22 national rate per primary pupil	Midpoint IDACI rate per primary pupil		2020/21 IDACI rate per secondary pupil used in Croydon (midpoint rate)	2021/22 national rate per secondary pupil	Midpoint IDACI rate per secondary pupil
IDACI Band F	£190	£215	£203		£258	£310	£284
IDACI Band E	£245	£260	£253		£378	£415	£397
IDACI Band D	£356	£410	£383		£443	£580	£512
IDACI Band C	£407	£445	£426		£520	£630	£575
IDACI Band B	£487	£475	£481		£659	£680	£670
IDACI Band A	£813	£620	£717		£1,165	£865	£1,015

(1) IDACI

Proposal to continue to use IDACI as a method of calculating deprivation

- 3.3 .1 (a) Move to the national average rate set by in the NFF rate per pupil or**
(b) Move to the midpoint rate between Croydon 2021/22 local rates and NFF.

(2) Free School Meals (FSM)

Schools received funding for all FSM eligible pupils through this factor. In 2020/21 Croydon followed the NFF rates and distributed £16.7m through this factor. The rates per school phase varies for each of the two elements (FSM rates and FSM6). Based on 2020/21 school data and using the NFF rates, Croydon would distribute (£16.8m) £5.5m for FSM and £11.3m for FSM6.

Table 6 FSM rates

School phase	2020/21 rate per pupil - FSM	2020/21 rate per pupil – FSM6	2021/22 NFF rate per pupil - FSM	2021/22 NFF rate per pupil –FSM6
Primary school	£450	£560	£460	£575
Secondary school	£450	£815	£460	£840

3.3.2 Schools Forum are requested to continue to use free schools meals in the deprivation funding and to use the national average rate set by in the NFF rate per pupil for FSM and FSM6.

3.4 Low Prior Attainment

This is an optional factor which Croydon had applied in prior years. It is a rate per pupil per school phase and is set locally. In the 2020/21 allocation Croydon distributed £12.9m through this factor. The NFF rates are considerably higher and would result in £17.6m being distributed through this factor (based on 2020/21 APT school data), offsetting reductions in Deprivation funding should the lower NFF deprivation rates be used. The midpoint would result in £15.2m being distributed.

The APT tool automatically provides the number of pupils who are eligible (based off the prior year census data).

See Appendix A for definition of Low Prior Attainment and the pupils in this category

Table 7 Low Prior Attainment rates

School phase	2020/21 Local rate per pupil (@NFF/local midpoint)	2021/22 NFF rate per pupil	2021/22 midpoint rate per pupil
Primary school	£721	£1,095	£908
Secondary school	£1,388	£1,660	£1,524

3.4 Schools Forum are requested for the Low Prior Attainment rate to be included as a factor and to agree the rate:

- (a) Move to the national average rate set by in the NFF rate per pupil or
 (b) Move to the midpoint rate between Croydon local rates and NFF.

3.5 English as an additional language (EAL)

This is an optional factor but has been used in the Croydon local formula. This rate per pupil per phase has been set locally. In the 2020/21 allocation Croydon distributed £5m through this factor. Using the NFF rate and the midpoint rate, this would be virtually unchanged.

Table 8 EAL rates

School phase	2020/21 Local rate per pupil (@NFF/local midpoint)	2021/22 NFF rate per pupil	2021/22 midpoint rate per pupil
Primary school	£528	£550	£539
Secondary school	£1,520	£1,485	£1,503

3.5 Schools Forum are requested to maintain English as an additional language as a factor and to agree the rate:

- (a) Move to the national average rate set by in the NFF rate per pupil or
 (b) Move to the midpoint rate between Croydon local rates and NFF.

3.6 Looked after Children

This rate per pupil per school phase is set locally. Using the 2020/21 local rate Croydon distributed £170k through this factor. There is no guided NFF rate. This would remain unchanged.

Table 9 Looked after Children rate

School phase	2021/22 proposed rate per pupil	Number of pupils
Primary school	£500	145
Secondary school	£500	192

3.6 Schools Forum are requested for Looked after Children to remain as a formula factor and to:

- (a) Agree to maintain the existing rates per pupil and
 (b) Agree to de-delegate/allocate the funding to Virtual Schools directly

3.7 Lump Sum

Each school receives a lump sum. In 2020/21, the local lump sum per school was £140,000 and resulted in a distribution of £15.4m. The published NFF rate is £117,800. Using the NFF would result in a distribution of £13m, at the mid-point rate it would be £14m and at the higher rate per prior year its £15.4m.

Table 10 Lump sum rates

School phase	2020/21 Local rate per school	2021/22 NFF rate per school	Midpoint rate per school
Secondary school	£140,000	£117,800	£128,900
Primary school	£140,000	£117,800	£128,900

3.7 Schools Forum are requested for lump sum to remain as a factor and to agree to the rate:

- (a) **Decrease the amount per school to the NFF rate of £118k for 2021/22**
or
- (b) **Decrease the amount per school to the midpoint rate of £128,900** **or**
- (c) **Retain the higher rate as per the prior year of £140,000 per school**

3.8 Mobility

The mobility factor allocates funding to schools with a high proportion of pupils who first join on a non-standard date. Mobility funding was previously allocated on the basis of historic spend. However, for 2020/21, the DfE developed a new methodology that enables calculation of allocations of this funding on a formulaic basis.

Rather than relying on a single census, the new methodology involves tracking individual pupils using their unique pupil ID through censuses from the past 3 years. If the first census when the pupil was in the school was a spring or summer census, they are considered a mobile pupil.

To be eligible for mobility funding, the proportion of mobile pupils a school has must be above the threshold of 6%. A per pupil amount will then be allocated to all mobile pupils above that threshold. As this is an optional factor, the LA will be able to decide whether or not to include this factor in their formula.

See Appendix A for definition of Mobility and the schools and school phases impacted

Table 11 Mobility rates

School phase	2020/21 Local rate per school (@NFF/local midpoint)	2021/22 NFF rate per school	Midpoint rate per school	NOR eligible	How many schools would be impacted
Primary school	£714	£900	£807	550	41
Secondary school	£1,113	£1,290	£1,202	119	8

3.8 Schools Forum are requested to maintain Mobility as a formula factor and to:

- (a) Move to the national average rate set by in the NFF rate per pupil or**
(b) Move to the midpoint rate between Croydon local rates and NFF.

3.9 Private Finance Initiative

Croydon has one PFI school and therefore uses this factor. The purpose of the factor is to fund the additional costs to a school of being in a PFI contract. The amount was last increased by £220k over the two year period ending 2020/21 to uplift the schools allocation as the previous increase was in 2014/15.

See Appendix A for PFI methodology funding & for details on the DfE Allocation for the PFI factor within the schools block allocation

The proposals are:

- (1) The amount awarded to the school in 2020/21 was £607,831 proposal to maintain this rate for 2021/22
- (2) to increase annually the base rate of funding by RPI (Retail process index as set by the Office for National Statistics) (1.56%) £9,482 to £617,313. This is as per the NFF guidance on an acceptable methodology for funding a PFI.
- (3) to increase the base funding in 2021/22 to a level that reflects the actual cost of the PFI for the school. £110,000 is proposed in line with prior year increases and to reflect in some part the actual costs to the school of being in a PFI contract.
- (4) in Croydon there are 50,844 number of pupils and if we assign £3 from the schools block funding to the PFI it would equate to £152,532. This option will then

Under option (4) and assuming the midpoint rate for all other NFF factors there would be MFG protection applied as a result of the reduction in the per pupil funding level from the prior year. MFG of £230,592 would be applied.

Table 12 PFI funding

Year	Funding	Costs to school *
2013/14	£66,127	£571,162
2014/15	£150,000	£708,153
2015/16	£310,632	£714,558
2016/17	£360,632	£747,417
2017/18	£360,632	£799,583
2018/19	£360,632	£855,390**
2019/20	£486,163	£876,775**
2020/21	£607,831	£1,087,806***
2021/22	TBC	£1,087,806***

* Costs to school does not include the library & music service costs. These are additional to the above

** Estimated cost based on the prior on year actual % increases

*** Costs to school is as per the paper presented by the school to Schools Forum on 5th October 2020

3.9 Schools Forum requested to:

- (1) to maintain the funding at the prior year amount
- (2) to increase annually the base rate of funding by RPI
- (3) in 2021/22 increase the base rate funding amount by £110k to reflect in some part the actual costs to the school of being in a PFI contract
- (4) Introduce a cap per pupil cost across Croydon pupils at £3 contribution per pupil

3.10 Minimum funding Guarantee (MFG)

MFG protects schools' budgets from large changes in funding based on factor changes. It protects on £/per pupil basis it does not protect against a fall in pupil numbers. For the last 4 years, the MFG in Croydon formula has been set at - 1.5%.

For 2020/21, the DfE changed the levels at which the MFG may be applied in local formulae to between +0.5% and +1.84%, moving to between +0.5% and

+2.0% in 2021/22. All of Croydon schools have reached and exceeded these increases using the NFF rates. Proposed to set the limit at +0.5%.

Table 13 MFG rates

Year	MFG	NFF rate for all factors	Midpoint rate	No. of schools & school type
2016/17	£11,425,730			
2017/18	£3,861,329			
2018/19	£2,362,522			
2019/20	£1,143,179			
2020/21	£670,987			
2021/22	TBC	£88,310	£67,104	1

3.10 Schools Forum are requested to agree to set the MFG at +0.5%.

3.11 Growth

The criteria for growth funding for schools was reviewed and approved by Schools Forum on 5th October 2020. The AWPU rates will be applied to the schools that meet the growth criteria and have been confirmed by the Schools Admissions Team.

Table 14 Growth rates

Year	Growth
2017/18	£3,002,894
2018/19	£3,365,680
2019/20	£2,279,811
2020/21	£1,708,617
2021/22	TBC

3.11 Schools Forum are requested to note the above

<p>Recommendation that the Schools Forum agree on each of the formula factors to be used in the setting of the 2021/22 schools budgets set out in Table 2</p>

Appendix A

FSM6 - Pupils who are identified as FSM6 eligible (pupils who have been entitled to FSM at any time in the last 6 years) as taken from the previous January census.

IDACI - The IDACI element of the deprivation factor is based on the IDACI dataset for 2019, which is published by the Ministry for Housing, Communities and Local Government (MHCLG). IDACI is a relative measure of socio-economic deprivation—an IDACI score is calculated for an LSOA (an area with typically about 1,500 residents) based on the characteristics of households in that area. The IDACI score of a given area does not mean that every child living in that area has particular deprivation characteristics—it is a measure of the likelihood that a child is in a household experiencing relative socio-economic deprivation. LSOAs are ranked by score, from the most deprived LSOA, with the highest score, to the least deprived LSOA.

The IDACI measure uses 7 bands (A to G where A is the most deprived) and different values can be attached to each of the 6 bands A to F. Different unit values can also be used for primary and secondary schools in each band.

Low Prior Attainment - The LPA factor acts as a proxy indicator for low level, high incidence, special educational needs and is measured as such for primary and secondary pupils:

1. primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP).
2. secondary pupils not reaching the expected standard in KS2 at either reading, writing or maths—an individual weighting is applied to each year group from years 7 to 10 when calculating secondary LPA to reflect the higher levels of low attainment under the new testing regime

Mobility - This factor pertains to pupils who first appeared in either the January or May census return at their current school (the one they are on roll with in the October census) in 2017 or later. This is for pupils in reception only, those first appearing at their current school in the May census are classed as mobile.

With this factor, there is a 6% threshold and funding is allocated based on the proportion above the threshold (for example, a school with 8% of pupils classed as mobile will attract pupil mobility funding for 2% of pupils).

How PFI is calculated in the NFF - Premises funding will continue to be allocated at local authority level on the basis of actual spend in the 2020-21 APT, with the PFI factor increasing in line with the RPIX measure of inflation (1.56%) to reflect PFI contracts.

Guidance by DfE on how to set the Private finance initiative (PFI) factor:

The purpose of this factor is to support schools that have unavoidable extra premises costs, because they are a PFI school, and to cover situations where the PFI 'affordability gap' is delegated and paid back to the local authority.

Methodologies for funding PFI schools must be objective and clear, and capable of being replicated for academies. The purpose of the factor is to fund the additional costs to a school of being in a PFI contract, not necessarily the full cost, as some costs may be covered within other factors.

An acceptable methodology would generally contain some of the features set out below.

These examples are intended to help local authorities formulate a clear process for funding; it is unlikely that a local authority would need to incorporate all of the features into its own policy.

If a PFI factor is used, all PFI schools should receive it; there may be different arrangements between contracts but, within a contract, all PFI schools should receive funding on an equivalent basis.

This does not necessarily mean all schools should receive the same amount per pupil, but they should be treated on a consistent basis.

Examples of a clear formula for funding PFI schools are:

- Allocations are in accordance with an original governors' agreement
- Allocations reflect the difference between the PFI contractual cost, and the grant received by the local authority, less any local authority contribution
- Methodologies for calculating allocations could include:
 - A percentage of the school's budget share
 - A per-pupil rate
 - A rate per square metre of floor area
 - A historical lump sum previously agreed, and indexed by a percentage per year

Agreements can refer to proportions or elements of the school's budget share, which, due to changes in funding arrangements, may have changed significantly. Where this situation occurs, the department would expect schools and local authorities to work together to agree an alternative arrangement, so that neither party is significantly disadvantaged