

## ITEM 2

### Dedicated Schools Grant 2023/24 & School Funding Formula Factors Review

Schools Forum – 07 November 2022

#### **Recommendation**

**The School's Forum asked to:** Note the new DfE rule regarding formula factors to be used in setting the 2023/24 schools' budgets and to approve the recommended factors from the Steering Group.

#### **1. Background**

- 1.1** Local Authorities receive annual notification of funding as well as funding methodology from the Department for Education (DfE) as part of the school's annual budget setting process. This information is provided by the DfE through information sharing portal as well as published in the DfE Annual Schools Block Operational Guide.
- 1.2** The guide provides useful updates from the DfE regarding the National Funding Formula for the following year and how local authorities are expected to calculate their individual schools' budgets.
- 1.3** The (DfE) has taken another major step this year towards the National Funding Formula implementation by requesting additional changes to how the 2023/24 schools' budget should be set. The (3) important requirements are as follows:
- (a) local authorities will only be allowed to use NFF factors in their local formulae. This means that the looked after children (LAC) factor will no longer be an allowable factor.
- (b) local authorities must use all NFF factors – except for the locally determined premises factors which remain optional, and the fringe factor which is compulsory for the 5 local authorities on the fringe. This means that local authorities will have to use all 3 deprivation factors (FSM, FSM6 and IDACI), as well as LPA, EAL, mobility, sparsity, and the lump sum.
- (c) local authorities must also move their local formula factor values to at least 10% closer to the NFF, except where local factor is already mirroring the NFF. The 10% movement is calculated such that local authorities bring their local formula factor much closer to the NFF. The deviation is ascertained by comparing to the difference between the local factor value and the NFF value in 2022 to 2023. These criteria do not apply to locally determined factors – notably the premises factors.

For example, if the difference between a Croydon local factor value for (FSM) and the NFF factor value for (FSM) is £500 in 2022 to 2023. It means that maximum difference from the NFF value in 2023 to 2024 is expected to reduce by at least 10% which is £450 (£500 less £50 which is 10% of £500).

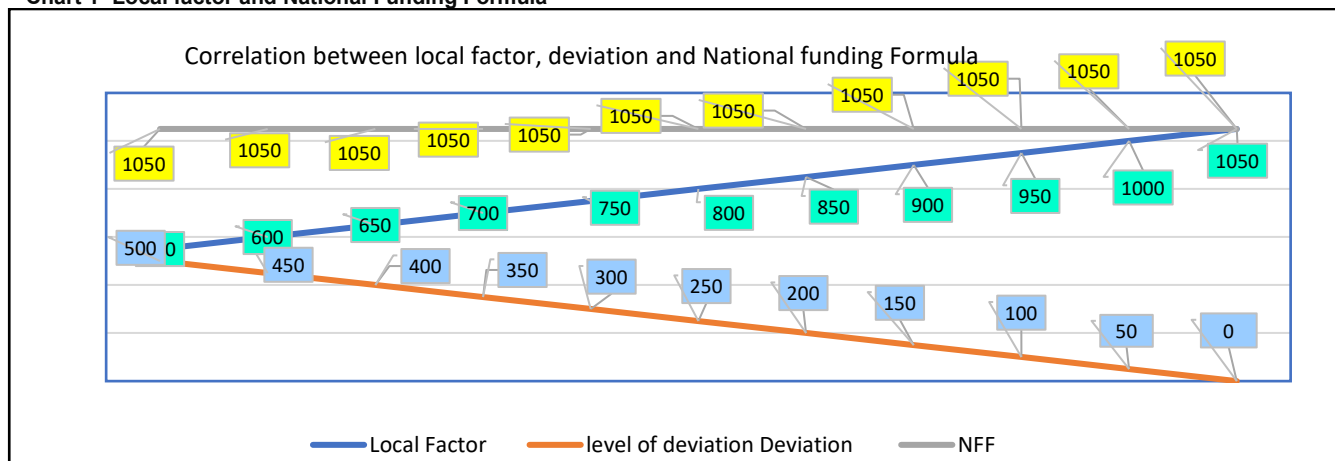
**Table 1 below illustrates the new 10% tightening rule towards the NFF.**

**Table 1. Sample workings for the 10% rule.**

Line No	Sample Workings	Amount	Options for consideration
Line 1	Local factor value in 2022 to 2023	£500	
Line 2	NFF factor value in 2022 to 2023 (including ACA)	£1,000	
Line 3	<b>Deviation (Line 2 less line 1)</b>	£500	
Line 4	10% of the deviation (10% of line 3)	£50	
Line 5	Expected deviation for 2023/24 Line 3 reduce by £50	£450	
Line 6	NFF factor value in 2023 to 2024 (including ACA)	£1,050	<b>Option 2</b>
Line 7	<b>Minimum Local factor value for 2023 /24</b>	£600	<b>Option 1- Local add 10%</b>
Line 8	Maximum Local factor value for 2023 /24	£1,076	<b>Option 3 - NFF + 2.5%</b>

**Chart illustrates the correlation between Local factor, national and impact on the 10% tightening rule.**

**Chart 1- Local factor and National Funding Formula**



- 1.4** Local authorities are therefore expected to set the funding allocations for schools through a formula in line with the new directive above. Schools Forum last year 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.
- 1.5** This paper sets out the new compulsory and optional factors expected to be used in line with the new DfE directive. Schools’ forum may still decide to select one of the three options (a minimum rate based on 10% deviation, the national rate, or the maximum cap of 2.5% above the national rate) presented in this paper.
- 1.6** The school’s block DSG is a ring-fenced grant, but local authorities can transfer up to 0.5% of their school’s block funding into another block, with the approval of their school’s forum. The Local Authority would likely consider a request from Schools forum to transfer between 0.3% to 0.5% from school’s block to the High Need blocks next year to support the locality funding.

**2. Provisional funding allocation**

2.1 The NFF provisional allocation for 2023/24 is below in Table 2. 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 £12m from the 2022/23 final allocation.

**Table 2 Schools Block provisional allocation 2023/24**

	<b>Total 2022/23 final allocation</b>	<b>Provisional funding in 2023/24</b>	<b>Movement</b>
Schools block allocation	£285,631,819	£299,439,818*	£13,807,999

ESFA 19/07/2022 Published data\*

### 3. Formula factors

The formula factors expected to be used this year are summarised here in Table 3.

**Table 3 Formula factors used in Croydon 2023-24**

<b>Para No.</b>	<b>Formula factor</b>	<b>Approval type -2022/23</b>
3.1	Minimum per pupil funding	To note (compulsory factor and rate) (Need to add a row for split site)
3.2	Age weighted pupil unit (Basic Entitlement)	To note (compulsory factor and local rate)
3.3	Deprivation - IDACI	To note (compulsory factor) NFF and Local rate used last year.
3.4	Deprivation – FSM & FSM6	To note (compulsory factor and NFF rate adopted)
3.5	Low prior attainment	To agree (compulsory factor and NFF rate adopted)
3.6	English as an additional language	To agree (compulsory factor and NFF are adopted)
3.7	Looked after children	(This must be removed by DfE rule)
3.8	Lump Sum	To agree (compulsory and local factor used last year)
3.9	Mobility	To agree (compulsory)
3.10	Private Finance Initiative – base rate increase	To agree (optional but needs Schools Forum consideration on Amount and RPIX measure of inflation)
3.11	Minimum Funding Guarantee	To agree (compulsory) and part of the DfE Model
3.12	Growth	Criteria for growth and no change expected on agreed rate for 2024/25
3.13	Split Site	Optional Factor – Same criteria and approved rate as agreed last year
3.14	Sparsity and London Fringe	To agree (Sparsity is compulsory but none of Croydon schools falls within the eligibility criteria on <u>distance</u> and <u>pupil numbers</u> . Croydon is not London Fringe) but not applicable to Croydon)

### 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 4 Rates for Minimum per pupil level funding**

School phase	2023/24 NFF Minimum rate per pupil	2023/24 NFF Mid-rate per pupil	2023/24 NFF Maximum rate pupil (2.5 % above NFF)
Primary school	To be updated	To be updated	To be updated
Secondary school	To be updated	To be updated	To be updated

#### 3.1.1 Schools Forum to note once completed

### 3.2 Age weighted pupil unit (AWPU)

The funding formulae will calculate our rate of AWPU **after** all the other factors amounts have been allocated. The AWPU rates applied last year as well as the new funding limits set by the DfE after completion of the model with agreed factors is as shown below.

Table 5 AWPU rates with DfE Recommendations

Factor	22-23 NFF including ACA	22-23 APT	Difference between 22-23 APT and 22-23 NFF	23-24 APT minimum	23-24 NFF including ACA*	23-24 APT maximum
A	B	C	D	E	F	G
Primary basic entitlement	£3,487.55	£3,783.18	£295.63	£3,592.18	£3,684.29	£3,950.36
KS3 basic entitlement	£4,917.48	£4,826.68	-£90.80	£5,064.40	£5,194.26	£5,324.12
KS4 basic entitlement	£5,541.92	£5,135.23	-£406.69	£5,488.24	£5,854.26	£6,000.62

\* Area Cost Adjustment - The Area Cost Adjustment (ACA) is a tool used to measure this variation in costs for local authorities in England

#### 3.2.1 School's Forum to note the final AWPU once determined after the LA receives the final allocation from the DfE and after all other factors have been distributed.

### 3.3 Deprivation IDACI

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.

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. See Appendix A for definition of FSM6 relates to and the IDACI movements. Total value for IDACI last year was £10.271m.

**Table 6 IDACI rates Primary Schools**

School phase	Primary schools			
	2022/23 IDACI rate per primary pupil used in Croydon	2023/24 NFF Minimum rate per pupil	2023/24 NFF rate per pupil	2023/24 NFF Maximum rate pupil
IDACI Band F	£212	£225.82	£249.67	£255.91
IDACI Band E	£262	£276.31	£303.95	£311.55
IDACI Band D	£402	£429.64	£477.63	£489.57
IDACI Band C	£443	£470.94	£521.05	£534.08
IDACI Band B	£486	£512.93	£553.62	£567.46
IDACI Band A	£717	£709.12	£727.31	£748.16

**Table 6b IDACI rates Secondary Schools**

School phase	Secondary schools			
	2022/23 IDACI rate per secondary pupil used in Croydon	2023/24 NFF Minimum rate per pupil	2023/24 NFF rate per pupil	2023/24 NFF Maximum rate pupil
IDACI Band F	£302	£323.23	363.65	372.74
IDACI Band E	£411	£438.29	483.06	495.14
IDACI Band D	£554	£591.09	673.03	689.85
IDACI Band C	£613	£655.66	738.16	756.61
IDACI Band B	£685	£725.95	792.44	812.25
IDACI Band A	£1,015	£984.30	1,009.54	1,054.68

3.3.1 Use IDACI as a method of calculating deprivation by:

- (a) Moving to the minimum national average rate set by in the NFF rate per pupil\* or
- (b) Moving to the average national NFF rate. Recommended for **Band B** to **Band F**.
- (c) Moving to the maximum rate above NFF. Recommended for **Band A**.

3.4 Deprivation Free School Meals (FSM) and (FSM6)

Schools receive funding for all FSM eligible pupils through this factor. In 2022/23 Croydon followed the NFF rates and distributed £19.095m through this factor. The rates per school phase varies for each of the two elements (FSM rates and FSM6).

**Table 7 FSM rates**

School phase	2022/23 rate per pupil - FSM	2023/24 NFF Minimum rate per pupil	2023/24 NFF rate per pupil	2023/24 NFF Maximum rate pupil
Primary school	£470	£485.48	£521.05	£534.08
Secondary school	£470	£485.48	£521.05	£534.08

**Table 7b FSM6 rates**

School phase	2022/23 rate per pupil - FSM6	2023/24 NFF Minimum rate per pupil	2023/24 NFF rate per pupil	2023/24 NFF Maximum rate pupil
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Primary school	£590.00	£720.64	£765.30	£784.43
Secondary school	£865.00	£1,052.62	£1,118.10	£1,146.05

- 3.4.1 (a) Moving to the minimum national average rate set by in the NFF rate per pupil\* or  
**(b) Moving to the average national NFF rate. Option B recommended for FSM and FSM6**  
(d) Moving to the maximum rate above NFF

### 3.5 Low Prior Attainment

This is now a compulsory factor which Croydon will use again this year. It is a rate per pupil per school phase and is set locally. In the 2022/23 allocation Croydon distributed £16.4m through this factor. 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

The DfE uses a weighting system to identify the number of pupils qualified. For the financial year 2023 to 2024, the weightings are:

pupils in year 7 in October 2022: [will be calculated in autumn 2022]  
pupils in years 8 to 10 in October 2022: 65%  
pupils in year 11 in October 2022: 64%

The weightings will operate in the same way as in 2022: the number of pupils identified as having LPA in the data will be multiplied by the relevant weighting to determine the number of pupils eligible for the factor for funding purposes.

LPA funding has been allocated to all pupils identified as not reaching the expected standard at the previous phase, regardless of their year group. It does not only apply to those pupils in their first year of schooling.

**Table 8 Low Prior Attainment rates**

School phase	2022/23 NFF rate per pupil	2023/24 NFF Minimum rate per pupil	2023/24 NFF rate per pupil	2023/24 NFF Maximum rate pupil
Primary school	£1,130.00	£1,168.26	£1,253.79	£1,285.13
Secondary school	£1,710.00	£1,770.25	£1,899.68	£1,947.17

#### 3.5.1 The Low Prior Attainment agreed rate should:

- (a) Moving to the minimum national average rate set by in the NFF rate per pupil\* or**  
**(b) Moving to the average national NFF rate. Option B recommended LPA.**  
**(c) Move above the average national NFF rate**

### 3.6 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 had been set locally. In the 2022/23 allocation Croydon distributed £4.829m through this factor.

**Table 9 EAL rates**

School phase	2022/23 midpoint rate per pupil	2023/24 NFF Minimum rate per pupil	2023/24 NFF rate per pupil	2023/24 NFF Maximum rate pupil
Primary school	£565.00	£586.84	£629.61	£645.35
Secondary school	£1,530.00	£1,583.05	£1,698.85	£1,741.33

**3.6.1 The English as an additional language factor rate should:**

- (a) Moving to the minimum national average rate set by in the NFF rate per pupil\* or
- (b) Moving to the average national NFF rate **Option B recommended EAL.**
- (c) Move above the average national NFF rate

**3.7 Looked after Children**

This rate per pupil per school phase is set locally using the 2022/23 local rate Croydon distributed £167k through this factor. This factor is no more expected to be applied from 2023/24.

**Table 10 Looked after Children rate**

School phase	2022/23 proposed rate per pupil	Number of pupils
Primary school	£500	145
Secondary school	£500	192

**3.7.1 The Schools Block should decide how the service is expected to be funded. Either de-delegated/allocated to the funding to Virtual Schools team directly**

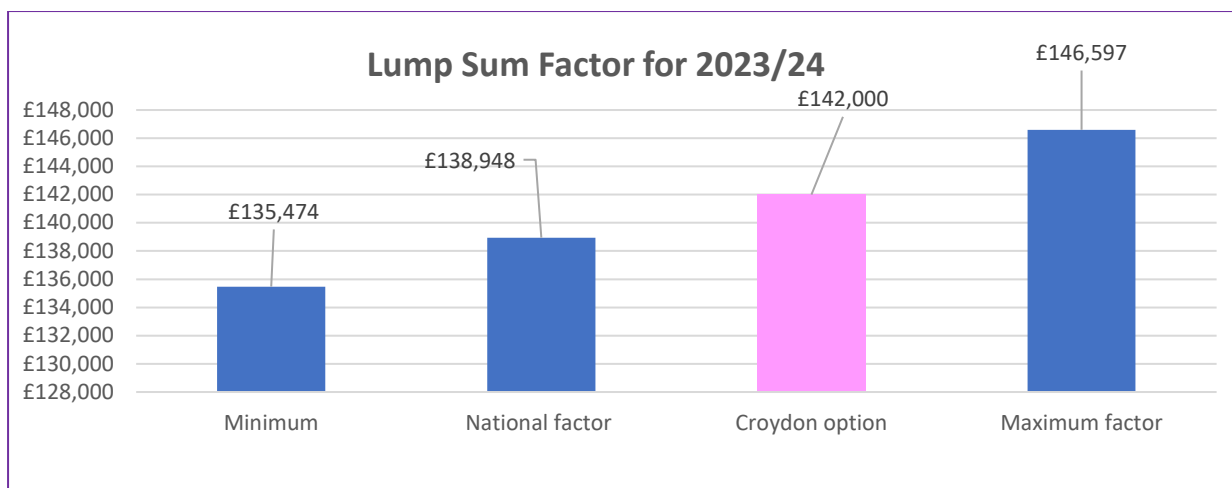
**Recommended - School block working Group requested de-delegation to support the service using the rates per pupil shown in table 10.**

**3.8 Lump Sum**

Each school receives a lump sum. In 2021/22 and 2022/23, the local lump sum per school was £140,000 and resulted in a distribution of £15.300m and £15.260m respectively. The published NFF rate is £138,947 for Primary schools and Secondary schools.

**Table 11 Lump sum rates**

School phase	2021/22 Local rate per school	2023/24 NFF Minimum rate per pupil	2023/24 NFF rate per pupil	2023/24 NFF Maximum rate pupil
Secondary school	£140,000	£135,474.14	£138,947.84	£146,596.64
Primary school	£140,000	£135,474.14	£138,947.84	£146,596.64



### 3.8.1 The lump sum factor should:

- (a) Moving to the minimum national average rate set by in the NFF rate per pupil\* or
- (b) Moving to the average national NFF.
- (c) Move above the average national NFF rate
- (d) Steering Group recommended £142,000.**

### 3.9 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 methodology involved 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. See Appendix A for definition of Mobility and the schools and school phases impacted. The total amount paid last year on this factor was £441.7k.

**Table 12 Mobility rates**

School phase	2022/23 Local rate (@NFF	2023/24 NFF Minimum rate per pupil	2023/24 NFF rate per pupil	2023/24 NFF Maximum rate pupil
Primary school	£925	£955.81	<b>£1,025.83</b>	1051.47
Secondary school	£1,330	£1,375.65	<b>£1,476.32</b>	1513.23

### 3.9.1 The Mobility factor should:



- (a) Moving to the minimum national average rate set by in the NFF rate per pupil\* or
- (b) Moving to the average national NFF rate **Option B recommended.**
- (c) Move above the average national NFF rate

### 3.10 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 agreed amount paid last year was £547k.

#### 3.10.1 The PFI factor should:

- a) Inflationary increase to be applied to last year's rate.
- b) Stay the same as last year's rate.
- c) Reduce last year's rate by £100k

### 3.11 Minimum funding Guarantee (MFG)

MFG protects schools' budgets from large changes in funding based on factor changes. It protects on £/per pupil basis but does not protect against a fall in pupil numbers.

Local authorities have the freedom to set the MFG in their local formulae between +0.0% and +0.5% per pupil. All of Croydon schools have reached and exceeded these increases using the NFF rates. Proposed to keep the limit of +0.5% in 2023/24.

**Table 13 MFG rates**

Year	MFG	Using NFF rate for all factors
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	£87,337	
2022/23	TBA	£101,196

#### 3.10.1 Schools Forum are requested to note the set MFG

### 3.11 Growth

The criteria for growth funding for schools was reviewed and approved by Schools Forum on 5th October 2020. The rates for various parts of the growth fund 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	£1,914,299
2022/23	£1,369,581
2023/24	?

**3.11.1 Schools Forum are requested to note the above and agree that this sum be allocated to schools that meet the growth criteria.**

**3.12 Split site factor**

The split site factor was previously part of the growth fund and at the meeting of October 4<sup>th</sup> 2021 Forum agreed that it should, once again, become part of the main formula. An updated criteria was approved last year with a value of £50k.

(Optional factor but School block working Group agreed to keep the last year's criteria and approved rate).

**Recommendation:**

The School's Forum to note the new funding regulations and to agree one of the three optional rate (minimum, average and maximum) per each of the compulsory factors in table 3.

## 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.

## Appendix B

### Key changes to the schools NFF in 2023 to 2024 are:

- increasing the 2022/23 NFF factor values (on top of the amounts we have added for the schools supplementary grant) by:
  - 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI)
  - 2.4% to the basic entitlement, low prior attainment (LPA), FSM, English as an additional language (EAL), mobility, and sparsity factors, and the lump sum.
  - 0.5% to the floor and the minimum per pupil levels (MPPL)
  - 0% on the premises factors, except for Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 11.2% for the year to April 2022

### Compulsory

- Basic entitlement
- FSM
- FSM6
- IDACI
- Minimum level of per-pupil funding for primary and secondary schools
- Prior attainment and EAL
- Pupil mobility and Sparsity
- Lump sum
- London fringe – compulsory for the eligible authorities

### Optional

- Split sites
- Rates
- Private finance initiative (PFI) contracts
- Exceptional circumstances (with ESFA agreement)

## Appendix C

### Extract from DfE Table for Croydon

Factor	22-23 NFF including ACA	22-23 APT	23-24 NFF including ACA	23-24 APT minimum	23-24 APT maximum
Primary basic entitlement	£3,487.55	£3,783.18	£3,684.29	£3,592.18	£3,950.36
KS3 basic entitlement	£4,917.48	£4,826.68	£5,194.26	£5,064.40	£5,324.12
KS4 basic entitlement	£5,541.92	£5,135.23	£5,854.26	£5,488.24	£6,000.62
Primary IDACI A	£693.82	£717.00	£727.31	£709.12	£748.16
Secondary IDACI A	£964.85	£1,015.00	£1,009.54	£984.30	£1,054.68
Primary lump sum	£131,501.33	£140,000.00	£138,947.84	£135,474.14	£146,596.64
Secondary lump sum	£131,501.33	£140,000.00	£138,947.84	£135,474.14	£146,596.64

Draft