ITEM 3 - Provisional DSG 2027/28 and School Funding Formula Factors Review

Schools Forum – 16th November 2026

Recommendation

The School's Forum is asked to:

A. Note the national context within which the 2027/28 DSG budget will be announced and the delay to the timetable.

B. Note that nearly all the local formula factors are at NFF.

C. Approve that the Minimum Funding Guarantee (MFG) at the minimum of the range recommended by DfE when announced.

D. Decide on inter-block transfer of at least £1.2m from the schools block to the high needs block

E. Decide on whether to continue NOT to use the growth fund to balance the ISB.

F. Decide on the principle of the formula factors to use in preparing 2027/28

1. National Picture

1.1. In previous years, the indicative DSG settlement, including the national funding formula (NFF) for schools, has been announced late in the summer term. This has allowed early modelling over the summer to inform budget setting discussions during the autumn.

1.2 In recent years, however, the indicative DSG and other key financial information has been delayed for various reasons.

1.3 DfE have released the 2027/28 funding policy[1] which will underpin the distribution of the schools budget next year. Although the Chancellor has announced the national budget, the local government funding settlement and the DSG indicative funding have been delayed as was the case in the previous two years.

2. Structure of the National Funding Formula (NFF) to Local Authorities (LA)

2.1 In October 2026, the DfE have, however, published a summary policy document to help with planning, which sets out the structure of the schools NFF for 2027/28 (that is the factors that will be used in the NFF for local authorities, and how they will operate).

2.2 The 2027/28 NFF (for LAs) will use the same factors as the 2026/27 NFF.

2.3 The policy document also confirms that similar to the previous year there will be a requirement for local authorities to move at least 10% closer to the NFF, unless they are already 'mirroring' the NFF. Nearly all of Croydon's formula factors are already mirroring the NFF so will not be affected by that requirement.

2.4 The policy document does not give any indication on funding levels for 2027/28, so no

[1] Schools national funding formula summary policy document for 2027 to 2028 - GOV.UK

information is available at this point on either indicative total DSG funding through the NFF, or the uplifts to factor values within the NFF. These will be confirmed when the NFF allocations are published.

2.5 Rolling in of Grants: As was done in previous years, all grants separately paid in 2026/27 will now be rolled into the NFF. Therefore, the schools budget support grant 2026 (SBSG 26) will be subsumed into the 2027/28 funding formula. The rates that will be added to the base value for 2027/28 are:

- basic per-pupil rate of:
    - £42 for primary pupils, including pupils in reception
    - £59 for key stage 3 pupils
    - £67 for key stage 4 pupils
- lump sum of £1,600
- FSM6 per-pupil rate of:
    - £35 per eligible primary pupil
    - £55 per eligible secondary pupil

2.6 Teachers' pension employer contributions funding adjustment: From April 2027, employer contribution rates for the teachers' pension scheme (TPS) will decrease from 28.6% to 17.6%. This change will not reduce the value of the defined benefit teachers' pension for current or retired teachers. Funding for schools will be reduced to reflect the decrease to employer contribution rates for the TPS from April 2027. The funding reduction will reflect the decreased cost at a national level. The spending power of the schools' sector as a whole will therefore not decrease.

The 2027/28 NFF factor values will be reduced to account for the pension adjustment in the following areas:

- basic per-pupil reductions of:
    - £178 for primary pupils, including pupils in reception
    - £250 for key stage 3 pupils
    - £281 for key stage 4 pupils
- lump sum reduction of £6,600
- FSM6 per-pupil reductions of:
    - £155 per eligible primary pupil
    - £225 per eligible secondary pupil

Similarly, there will be a reduction in CSSB funding allocation to reflect the decrease in pension contributions for centrally employed teachers.

2.7 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**. Similar to 2025/26, the DfE announced the MFG range in 2026/27 to be set between -0.5% and 0.0% per pupil. Schools Forum agreed to keep the MFG at 0.0% in 2026/27 (0.0% in 2025/26). There is no announcement yet for the MFG range for 2027/28. However, it is not expected to be too dissimilar to the range announced in recent years. Applications to set an MFG rate outside the DfE range will only be considered on the grounds of affordability where local authorities have already exhausted

the flexibility available from the 2.5% threshold for 'mirroring' the NFF. In the absence of the announcement from the DfE, the schools forum is asked to approve that the 2027/28 MFG be set at the minimum level of the range recommended by DfE.

2.8 Changes to The Income Deprivation Affecting Children Index (IDACI): IDACI, one of the deprivation factors used in the NFF, was updated last year. The updated IDACI would be used in the 2027/28 NFF which may change the proportion of pupils attracting funding through the IDACI deprivation factor and therefore affect the distribution of Schools Block funding.

2.9 Disapplication: Each year, local authorities can submit requests to 'disapply' certain regulations governing their local funding formulae. These "disapplications" ranges from highly technical issues specific to individual schools to requests for transferring funds from the schools block to the high needs budget, which local authorities may see as crucial for managing their high needs cost pressures. All requests should be submitted by 18 November 2026 to guarantee a response from DfE in time to input into the APT.

3. Proposal for Consideration for 2027/28 Schools Funding

3.1 Block Transfers: As in previous years, local authorities will be allowed to transfer up to and including 0.5% of the schools' block into another block, with Schools Forum approval. For a transfer exceeding 0.5%, or without school's forum approval, a disapplication request must be submitted to the Secretary of State. The 0.5% of the 2026/27 gross schools block funding is £1.762m. For 2026/27, Croydon Schools Forum, at its meeting of 22nd September 2025, approved the transfer of £1.2m from the schools' block to the High Needs block. It is important that this practice continues as it will evidence the wider school's community support for the Local SEND Reform Plan. Therefore, the Schools Forum is asked to consider another inter-block transfer to the High Needs Block of at least £1.2m.

3.2 Minimum Funding Guarantee (MFG): Due to the fact that the range for the MFG have not been announced by the DfE, we are however asking the schools forum to approve that the 2027/28 MFG is set at the minimum level of the range recommended by DfE.

3.3 Growth Fund: Prior to 2026/27, the growth fund has been used to balance any shortfall in overall Schools funding (as it is treated as part of Schools Block for reporting purposes). However, the Schools Forum decided in 2025 to discontinue with this practice. Considering the fact that the growth fund has been reducing significantly year-on-year, we are recommending that the growth fund should NOT be used to balance any shortfall in schools funding.

4. Proposed Local Croydon formulae factors in 2027/28

4.1 As stated in paragraph 2.2 above, the NFF used in funding all LA will remain broadly similar to that used in 2026/27. With this in mind, the Schools Forum will decide on whether to use the same formular factors used to fund schools in 2026/27. The table showing the list of these factors as well as how they compare to the 2026/27 NFF is presented later in this paper.

4.2 As also stated earlier, where our local formula is not at NFF (nor is it mirroring NFF), we must continue to move our local formula factor values at least a further 10% closer to the corresponding NFF values (the comparison is made after the latter is adjusted by the ACA), except where local formulae are already 'mirroring' the NFF. These criteria do not apply to rates, PFI or exceptional circumstances factors.

4.3 As in previous years, local factor values within 2.5% of the respective NFF values will be taken as 'mirroring' the NFF. This means that local authorities with factor values within +/- 2.5% of the NFF values in 2026/27 can set their 2027/28 factor values anywhere within +/- 2.5% of the 2026/27 NFF values. Additionally, no local authority will be required to adjust their factor values closer than +/- 2.5% of the 2026/27 NFF due to the 10% tightening requirement.

4.4 As part of the tightening requirements, local authorities are not allowed to 'overshoot' the NFF value by more than the 2.5% 'mirroring' threshold. As such, a local authority which had a local factor value below the NFF value in 2026/27 should increase the local factor value in 2027/28 to get closer to the NFF – but it cannot set the factor value more than 2.5% above the NFF value. Conversely, a local authority which had a local factor value above the NFF value in 2026/27 cannot set that factor value more than 2.5% below the 2026/27 NFF value.

4.5 Croydon's 2026/27 local formulae factors, when compared to the NFF is presented in table 2 below. Nearly all of Croydon's formula factors are at (or within the mirror of) NFF in 2026/27. Therefore, the directive above will not apply, and the Schools Forum would not have to make a decision regarding moving closer to the NFF on most of them. However, the Schools Forum may want to consider whether to retain the formula factors at the level they are now or to move them near the NFF ceiling.

4.6 The basic entitlement for all phases of schools in Croydon has been increasing year-on-year as can be seen in Table 1 below. However, the increases in KS3 and KS4 rates has been significantly higher than that for primary schools until 2026/27 when Schools Forum decided at the same rate of increases across all phases. This has therefore informed the proposal in column of G of Table 2.

Table 1: Changes in Basic Entitlement Funding over years

	Formula Factors	2022/23	% Change	2023/24	% Change	2024/25	% Change	2025/26	% Change	2026/27
Line 1	Primary basic entitlement	3,783.18	1.77%	3,850.00	0.25%	3,859.50	7.98%	4,167.65	5.29%	4,388.08
Line 2	KS3 basic entitlement	4,826.68	5.41%	5,088.00	5.06%	5,345.40	8.76%	5,813.92	5.29%	6,121.42
Line 3	KS4 basic entitlement	5,135.23	6.87%	5,488.24	5.76%	5,804.39	13.06%	6,562.52	5.29%	6,909.61

4.7 The changes and flexing of the BEF (within the +/- 2.5% limit) has enabled us to bring schools funding within balance. Therefore, any proposals on the formula factors outlined below should bear in mind the need to continue with this practice for as long as the formula factors remain within prescribed NFF limit. In addition, there may be changes to the NFF factors as have been explained in paragraphs 2.5 and 2.6 above.

4.8 With the above provision in mind, it is proposed that the principle below (in Table 2) be adopted in completing the 2027/28 Schools APT. The outcome of the APT will be presented to Schools Forum in January 2027 for ratification before presenting to Cabinet for approval.

Table 2: Proposed Formula Factor principle 2027/28

Lines (A)	Factor (B)	2026 to 2027 NFF factor value (minimum) (C)	2026 to 2027 Croydon NFF value (D)	2026 to 2027 NFF factor value (maximum) (E)	Croydon's 2026/27 APT Values (F)	Proposal for 2027/28 (G)
Line 1	Primary basic entitlement	£4,290.92	£4,400.95	£4,510.97	£4,388.08	Increase at the same percentage rate for lines 1, 2 & 3
Line 2	KS3 basic entitlement	£6,003.49	£6,157.43	£6,311.36	£6,121.42	Increase at the same percentage rate for lines 1, 2 & 3
Line 3	KS4 basic entitlement	£6,767.92	£6,941.45	£7,114.99	£6,909.61	Increase at the same percentage rate for lines 1, 2 & 3
Line 4	Primary FSM	£533.20	£546.87	£560.54	£546.87	Continue to use Croydon NFF value
Line 5	Secondary FSM	£533.20	£546.87	£560.54	£546.87	Continue to use Croydon NFF value
Line 6	Primary FSM6	£1,277.56	£1,310.32	£1,343.08	£1,310.32	Continue to use Croydon NFF value
Line 7	Secondary FSM6	£1,821.32	£1,868.02	£1,914.72	£1,868.02	Continue to use Croydon NFF value
Line 8	Primary IDACI F	£253.40	£259.90	£266.40	£259.90	Continue to use Croydon NFF value
Line 9	Primary IDACI E	£306.19	£314.04	£321.89	£314.04	Continue to use Croydon NFF value
Line 10	Primary IDACI D	£480.41	£492.72	£505.04	£492.72	Continue to use Croydon NFF value
Line 11	Primary IDACI C	£527.92	£541.46	£554.99	£541.46	Continue to use Croydon NFF value
Line 12	Primary IDACI B	£559.59	£573.94	£588.29	£573.94	Continue to use Croydon NFF value
Line 13	Primary IDACI A	£739.09	£758.04	£776.99	£776.99	Continue to use top of the range of NFF
Line 14	Secondary IDACI F	£364.26	£373.60	£382.94	£373.60	Continue to use Croydon NFF value
Line 15	Secondary IDACI E	£485.69	£498.14	£510.59	£498.14	Continue to use Croydon NFF value
Line 16	Secondary IDACI D	£686.29	£703.89	£721.49	£703.89	Continue to use Croydon NFF value
Line 17	Secondary IDACI C	£749.64	£768.87	£788.09	£768.87	Continue to use Croydon NFF value
Line 18	Secondary IDACI B	£802.44	£823.01	£843.59	£823.01	Continue to use Croydon NFF value
Line 19	Secondary IDACI A	£1,024.16	£1,050.42	£1,083.32	£1,083.32	Continue to use top of the range of NFF
Line 20	Primary EAL3	£644.06	£660.58	£677.09	£660.58	Continue to use Croydon NFF value

Lines (A)	Factor (B)	2026 to 2027 NFF factor value (minimum) (C)	2026 to 2027 Croydon NFF value (D)	2026 to 2027 NFF factor value (maximum) (E)	Croydon's 2026/27 APT Values (F)	Proposal for 2027/28 (G)
Line 21	Secondary EAL3	£1,721.01	£1,765.14	£1,809.27	£1,765.14	Continue to use Croydon NFF value
Line 22	Primary LPA	£1,267.00	£1,299.49	£1,331.98	£1,299.49	Continue to use Croydon NFF value
Line 23	Secondary LPA	£1,926.90	£1,976.31	£2,025.72	£1,976.31	Continue to use Croydon NFF value
Line 24	Primary mobility	£1,040.00	£1,066.67	£1,093.33	£1,066.67	Continue to use Croydon NFF value
Line 25	Secondary mobility	£1,494.01	£1,532.32	£1,570.63	£1,532.32	Continue to use Croydon NFF value
Line 26	Primary lump sum	£161,226.35	£165,360.36	£169,494.37	£169,494.37	Continue to use top of the range of NFF
Line 27	Secondary lump sum	£161,226.35	£165,360.36	£169,494.37	£169,494.37	Continue to use top of the range of NFF
Line 28	Split sites basic eligibility funding	£58,176.63	£59,668.34	£61,160.05	£59,668.34	Continue to use Croydon NFF value
Line 29	Split sites distance funding	£29,141.11	£29,888.32	£30,635.52	£29,888.32	Continue to use Croydon NFF value
Line 30	PFI		£583,968.00		583,968.06	Fund at DfE minimum PFI factor increase.

Recommendation

The School's Forum is asked to:

A. Note the national context within which the 2027/28 DSG budget will be announced and the delay to the timetable.

B. Note that nearly all the local formula factors are at NFF.

C. Approve the Minimum Funding Guarantee (MFG) at the minimum of the range recommended by DfE when announced.

D. Decide on inter-block transfer of at least £1.2m from the schools block to the high needs block

E. Decide on whether to continue NOT to use the growth fund to balance the ISB.

F. Decide on the principle of the formula factors to use in preparing 2027/28 schools budget as contained in Table 2.

G. Decide whether PFI factor should mirror the NFF floor as was done in 2026/27.