

REPORT TO:	CABINET 18 JANUARY 2021
SUBJECT:	Dedicated Schools Grant (DSG) School Funding 2021/22 Formula Factors
LEAD OFFICER:	Debbie Jones, (Interim) Executive Director - Children, Families and Education Kate Bingham, (Interim) Head of Finance - Children, Families and Education
CABINET MEMBER:	Councillor Alisa Flemming – Cabinet Member for Children, Young People & Learning
WARDS:	All

SUMMARY OF REPORT:

Dedicated School Grant (DSG) is a ring fenced grant of which the Schools Block element is used to fund individual schools budgets in maintained schools and academies. This report provides the basis for the funding allocation across individual school budgets, consulted on through Schools Forum meetings in November and December 2020 and require Cabinet approval prior to APT submission by 21st January 2021.

POLICY CONTEXT/AMBITIOUS FOR CROYDON:

The effective allocation of the DSG Schools Block to individual schools supports the provision of sufficient and best quality school places in the right place helping to ensure all children and young people achieve their full potential.

FINANCIAL IMPACT

Approval of the formula factors to be used to set the 2021/22 schools budgets from the Dedicated Schools Grant (DSG) – Schools Block allocation for Croydon for 2021/22.

FORWARD PLAN KEY DECISION REFERENCE NO.: 0321CAB

The notice of the decision will specify that the decision may not be implemented until after 13.00 hours on the 6th working day following the day on which the decision was taken unless referred to the Scrutiny and Overview Committee.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet is recommended to

- 1.1 Approve the provisional funding formula for Croydon schools for the financial year 2021/22 for maintained schools, and the academic year 2021/22 for academies, in line with the recommendations of the School Forum:
 - a) to agree for the phased implementation of the National Funding Formula in 2021/22 to ease the potential turbulence of moving to a hard formula at a later stage; and
 - b) to agree the funding formula factors set out in Table 2 and paragraphs 3.10 to 3.31 of this report.

2. EXECUTIVE SUMMARY

- 2.1 In September 2020 the Education and Skills Funding Agency (ESFA) published the 2021/22 school revenue guidance for local authorities and schools forums. The guidance confirmed the arrangements for distributing funding through the National Funding Formula (NFF) for schools, early years, high needs and central schools services.
- 2.2 This report outlines the factors which are proposed for the setting of the schools budgets for 2021/22 through the Authority Proforma Tool (APT). These factors have been consulted on through Schools Forum meetings in November and December 2020. Final values per factor will be calculated after the total funding available via the Dedicated Schools Grant (DSG) is confirmed by government in December 2020, the final allocation tool is issued and then approved by School Forum on 18th January 2021.
- 2.3 The Local Authority (LA) is required to submit the approved formula by 21st January 2021 to the Department for Education (DfE).
- 2.4 The DfE require the proposed formula for 2021/22 to be politically approved prior to APT submission. This paper therefore sets out the proposals, agreed by the Croydon Schools Forum on 9 November and 7 December 2020, for Cabinet approval.

3. SCHOOL FUNDING FORMULA

- 3.1 The 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 DfE have confirmed the intention to move to a hardening of

the individual factors between now and 2024/25 however for 2021/22, LAs 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:

- 3.2 Croydon's School Forum was presented with 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.
- 3.3 Schools Forum considered a paper on the Dedicated Schools Grant (DSG) School Funding Formula – 2020/21 Formula Factors at their meeting on 9 November 2020 (Appendix 1) and Dedicated Schools Grant (DSG) School Funding Formula – 2021/22 Split Sites factor on 7 December 2020 (appendix 2) and, where recommended, the School Forum agreed that the local formula should be set at the midpoint between the prior year local rate and the NFF in order to smooth the transition for schools towards NFF. In other cases, the factors have remained the same.
- 3.4 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, this flexibility has not been sought for 2021/22.
- 3.5 Croydon did not rely on any further transfers from the Schools Block to the High Needs Block in our DSG Deficit Recovery Plan as that was
 - (i) counterproductive to the SEND strategy with the emphasis on increasing inclusivity in mainstream schools; and
 - (ii) any such transfer would require year on year approval and including any reliance of this in the recovery plan was presumptuous.
- 3.6 Both of those conditions remain present, in addition to the new consideration relating to significant increases in both the Schools Block and the High Needs Blocks for 2021/22. This latter consideration has enabled Croydon to review the current DSG Deficit Recovery Plan which now does not depend on any transfer from the Schools Block in future for the same reasons as outlined in (i) above.
- 3.7 The November and December 2020 School Forum reports and the minutes are attached (and can be located) at Appendix 1, 2 and 3 of this report.

Dedicated School Grant allocation

- 3.8 The NFF allocation for 2021/22, announced in December 2020, is below in Table 1. The movement shows an increase of £18.350 from the 2020/21 final allocation.
- 3.9 The Teachers pensions & the teachers' pay award grants have been rolled into the schools block funding, accounting for £12.154 million of the total increase.

Table 1: Schools Block provisional allocation 2021/22

	Total 2020/21 final allocation million	Final allocation 2021/22 million	Movement million
Schools block allocation	£262,963	£281.313	£18.350

Formula factors

3.10 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
3.11	Minimum per pupil funding	To note (compulsory factor and rate)
3.12	Age weighted pupil unit	To note (compulsory factor and local rate)
3.14	Deprivation - IDACI	To agree to continue to use as a method of calculating deprivation; To agree rates to be used (compulsory / discretionary)
3.16	Deprivation - FSM	To agree to continue to use as a method of calculating deprivation; To agree continue to follow NFF rates (compulsory / discretionary)
3.17	Low prior attainment	To agree (optional / discretionary)
3.19	English as an additional language	To agree (optional / discretionary)
3.20	Looked after children	To agree (optional / discretionary)
3.21	Lump Sum	To agree (optional / discretionary)
3.22	Mobility	To agree (optional / discretionary)
3.24	Private Finance Initiative - RPI - base rate increase	Compulsory factor as have one but with an (optional / discretionary) To agree (optional / discretionary)
3.26	Minimum Funding Guarantee	To agree (compulsory)
3.28	Growth	To agree
3.29	Split Site	To agree (optional / discretionary)

Minimum per pupil level funding

3.11 Minimum per pupil funding level is set by the NFF to ensure that each pupil attracts a basic level of funding to ensure that if no other factor is relevant that there is a minimum level each pupil at each school phase should be funded for. At both primary and secondary level, as the minimum per pupil in funding is more than that set by the NFF, no decision was required by the School Forum.

Table 3 Rates for Minimum per pupil level funding

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

Age weighted pupil unit (AWPU)

3.12 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. Initial modelling of the indicative allocations shows an expected increase in the AWPU rates for 2021/22. The final rate can only be determined after all other funding rates have been allocated via the other factors.

Table 4 AWPU rates

School phase	2021/22 proposed rate per pupil	AWPU at NFF rates	AWPU at midpoint rates
Primary (Yrs R-6)	TBC	£3,713.01	£3,754.79
Key Stage 3 (Yrs 7-9)	TBC	£4,772.23	£4,814.02
Key Stage 4 (Yrs 10-11)	TBC	£5,090.00	£5,131.78

Deprivation

3.13 This is a compulsory factor and is made up of three elements: free school meals (FSM), free school meals 6 (FSM6) and the income deprivation affecting children index (IDACI). Schools Forum agreed the continued use of free school meals (FSM and FSM6) and to move to the midpoint of the IDACI rate.

IDACI

3.14 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.

3.15 Table 5 sets out the IDACI rates per primary and secondary pupil at the midpoint rate for Croydon for 2021/22.

Table 5 IDACI rates

School phase	Croydon 2021/22 (midpoint)IDACI rate per primary pupil	Croydon 2021/22 (midpoint)IDACI rate per secondary pupil
IDACI Band F	£203	£284
IDACI Band E	£253	£397
IDACI Band D	£383	£512

IDACI Band C	£426	£575
IDACI Band B	£481	£670
IDACI Band A	£717	£1,015

Free School Meals (FSM)

- 3.16 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	Croydon 2021/22 (NFF) rate per pupil - FSM	Croydon 2021/22 (NFF) rate per pupil – FSM6
Primary school	£460	£575
Secondary school	£460	£840

Low Prior Attainment

- 3.17 This is an optional factor which Croydon has 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 mid-point rate between the 2020/21 and NFF rate, as shown in Table 7 below, has been agreed for 2021/22 resulting in approximately £15.2m being distributed.
- 3.18 The APT automatically provides the number of pupils who are eligible (based on the prior year census data).

Table 7 Low Prior Attainment rates

School phase	Croydon 2021/22 (midpoint) rate per pupil
Primary school	£908
Secondary school	£1,524

English as an additional language (EAL)

- 3.19 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. The midpoint rate has been agreed for 2021/22.

Table 8 EAL rates

School phase	Croydon 2021/22 (midpoint) rate per pupil
Primary school	£539
Secondary school	£1,503

Looked after Children

- 3.20 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. It was agreed to allocate the funding for this factor to the Virtual Schools directly.

Table 9 Looked after Children rate

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

Lump Sum

- 3.21 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. School Forum agreed to continue the lump sum at £140,000 per school.

Table 10 Lump sum rates

School phase	Croydon 2021/22 rate per school
Secondary school	£140,000
Primary school	£140,000

Mobility

- 3.22 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.
- 3.23 This is an optional factor, the LA recommended inclusion of this factor in the formula and School Forum has agreed to move to the mid-point rate.

Table 11 Mobility rates

School phase	Croydon 2021/22 (Midpoint) rate per school	Number on Roll eligible	How many schools would be impacted
Primary school	£807	550	41
Secondary school	£1,202	119	8

Private Finance Initiative

- 3.24 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.

- 3.25 The proposal confirmed by Schools Forum for 2021/22 is to continue to fund the school at the rate set in the 2020/21 formula of £607,831. Table 12 sets out the prior year's PFI funding through this factor alongside the cost to the school.

Table 12 PFI funding

Year	Funding	Costs to school *
2019/20	£486,163	£876,775**
2020/21	£607,831	£1,087,806***
2021/22	£607,831	£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

Minimum funding Guarantee (MFG)

- 3.26 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. In the past MFG in Croydon formula has been set at -1.5%.
- 3.27 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. School Forum agreed to set the MFG 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

Growth

- 3.28 The criteria for growth funding for schools was reviewed and approved by Schools Forum on 5th October 2020. School Forum noted that 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

Split Sites

- 3.29 This is an optional factor used to support schools that have additional unavoidable costs because the school buildings are on separate sites, the guidance states the allocations must be based on objective criteria for the definition of a split site and for how much is paid.
- 3.30 Within Croydon local factors the element for split sites has been worked out via the criteria set within growth. The rationale for this is because the split site funding for the years 1 to 4 was funded from the growth fund. After year 4 the schools are funded for this factor through the Authority Proforma Tool (APT).
- 3.31 There is no NFF rate set for the split site factor. The actual premises funding for the 2021-22 NFF allocation to the LA is to use the levels of funding given via the LAs' 2020-21 APT. The funding level has remained constant at £35,000 per school.

Table 15 Split site schools & funding

School	Budget 2021/22
West Thornton Primary Academy	£35,000
Whitehorse Manor Infant School	£35,000
Cypress Primary School	£35,000
Oasis Academy Shirley Park	£35,000
Total	£140,000

4. CONSULTATION

- 4.1 Croydon Schools Forum has a statutory consultative and advisory role in respect of school funding and consultation took place at the meeting of 9 November 2020. The meetings of Schools Forum have reviewed and modelling on the options proposed to set the above factors at the proposed

levels. The formula proposals have been communicated to schools via the Schools Forum papers. The responsibility for determining and approving the funding formula rests with the LA.

5. PRE-DECISION SCRUTINY

- 5.1 At its meeting of 8 December 2020, the Scrutiny and Overview Committee considered and review the Council's the Action Plan developed in response to the Report in the Public Interest (the Report), concerning the Council's financial position and related governance arrangements.
- 5.2 One of the recommendations of the Report and, therefore, a matter directly referred to in the Action Plan is of direct relevance to the Dedicated School Grant in that the General Purposes and Audit Committee (GPAC) should receive reports on the actions being taken to address the Dedicated Schools Grant (DSG) deficit and challenge whether sufficient progress is being made.
- 5.3 There were no additional actions arising from the discussion at the Scrutiny and Overview Committee and it anticipate that GPAC will consider the first report on the DSG Management Plan in March 2021.
- 5.4 Further, the annual Education Budget 2021/22 report, which covers the allocation of the entire DSG and includes the DSG deficit management plan, will be presented to Scrutiny Sub Committee – Children and Young People on 19th January 2021.

6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 6.1 This report asks Members to accept the recommendation of Croydon Schools Forum on the funding formula for Croydon schools for the financial year 2021/22 for maintained schools, and the academic year 2021/22 for academies.
- 6.2 The school funding formula is used to determine how part of the Council's DSG allocation, in particular the Schools Block, is distributed to Croydon maintained schools and academies. The individual school budget shares determined by the formula represent a significant proportion of the annual revenue funding for maintained schools for the financial year, and funding for academies for the academic year. The funding for maintained schools is distributed through the LA, while the ESFA uses the formula to allocate funding direct to Croydon academies.
- 6.3 The final 2021/22 DSG allocation is expected to be published in late December 2020, following the spending round announcements in September and provisional allocation notification in October 2020.
- 6.4 The total 2021/22 provisional DSG Schools Block allocation for Croydon is £279.333 million, an increase in the level of DSG funding of £16.370 million compared to 2020/21

- 6.5 It should be noted that on 23 October 2020, the Council's external auditor issued a Report in the Public Interest (the Report) concerning the Council's financial position and related governance arrangements. Whilst this report does contain a recommendation regarding the DSG deficit and the consequent recovery plan, the Report does not impact directly on the recommendation to approve the Croydon school funding formula and any actions required and agreed as a result of the Report will be implemented in accordance with the action plan approved at the Extraordinary Council Meeting on 19th November 2020.
- 6.6 Further, the Council is subject to a Section 114 report issued by the Director of Investment, Finance and Risk (S151 Officer) on 11 November 2020, with a second notice issued on 2 December, and the Council will not be able to balance its budget in the 2020/21 or over the Medium Term Financial Strategy Period (2021/24) until such time as it receives external support in the form of a capitalisation direction request from the Ministry of Housing, Communities and Local Government (as reported to the Extraordinary Council Meeting of 1 December, 2020). Whilst acknowledging the financial position of the Council in respect of the General Fund, the Section 114 notice has no bearing on this decision as this approval is to determine the funding formula in order to passport the Schools Block element of the ring fenced Dedicated School Grant, to be used for the purposes of providing education, to the borough's schools in accordance with *The School and Early Years Finance (England) Regulations* and DfE guidance.

Approved by: Lisa Taylor, Director (Finance, Investment and Risk) and Section 151 Officer.

7. LEGAL CONSIDERATIONS

- 7.1 The Head of Litigation and Corporate Law comments on behalf of the Council's Solicitor that the Local Government Finance Act 1992 section 31A places the Council under a statutory duty to set a balanced budget and to take any remedial action as required in-year.
- 7.2 Dedicated Schools Grant (DSG) is paid to the Council by the Secretary of State under the Education Act 2003 section 14.
- 7.3 Details of the national funding formula (NFF) are contained in various DfE publications.
- 7.4 The Report in the Public Interest dated 23 October 2020 was issued under the Local Audit and Accountability Act 2014. The Council must comply with the requirements of the Act in responding to the Report. The report sets out a range of recommendations, which have been agreed by the Council, and an Action Plan has now been put in place. The report provides, amongst other things, that the DSG should be managed within existing budgets. Regular reports are required to be made to the General Purposes and Audit Committee regarding actions being taken by the Council to address the DSG deficit which has built up.

- 7.5 The two reports presented to Members by the Chief Finance Office on 11 November 2020 and 2 December 2020 were issued under of the Local Government Finance Act 1988 section 114(3). A prohibition period of up to 21 days follows each notice during which the Council is not permitted to incur any new expenditure without the prior approval of the Council's Chief Finance Officer.
- 7.6 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulation 2020 which came into force on 29 November 2020 introduced a new accounting treatment for DSG deficits for the financial years 20/21, 21/22 and 22/23. Any outstanding deficit at the end of this period will, as currently drafted, reduce un-earmarked general fund reserves in the financial year commencing 1 April 2023.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Council's Solicitor and Monitoring Officer.

8. HUMAN RESOURCES IMPACT

- 8.1 There are no direct Human Resources considerations arising from this report. If there are subsequent proposals that affect the workforce as a result of the budget limit set, consultation and planning must be in line with HR policies and procedures and HR advice must be sought from the assigned provider. Council HR should be kept informed of proposals.

Approved by: Sue Moorman Director of Human Resources

9. EQUALITIES IMPACT

- 9.1 The funding allocations and formulae are set nationally and are therefore already subject to an equality assessment. The Council is also committed to the government's vision - an education system that works for everyone. No matter where they live, whatever their background, ability or need, children should have access to an excellent education that unlocks talent and creates opportunity. We want all children to reach their full potential and to succeed in adult life.
- 9.2 In setting the Education Budget 20120/21, the Council has taken into account the need to ensure targeted funding is available for work on raising the attainment of disadvantaged pupils who are likely to share a "protected characteristic" (as defined in the Equality Act 2010) and close the gap between them and their peers.
- 9.3 The Council will ensure that the system for distributing funding is fair in order to support the life chances of our most vulnerable children and young people; a fairer funding system will help provide all schools and all areas with the resources needed to provide an excellent education for all pupils irrespective of their background, ability, need, or where in the country they live.

- 9.4 This will help the Council meet its equality objective “to improve attainment levels for white working class and Black Caribbean heritages, those in receipt of Free School Meals and Looked after Children, particularly at Key Stage 2 including those living in six most deprived wards.”

Approved by: Yvonne Okiyo, Equalities Manager

10. ENVIRONMENTAL IMPACT

- 10.1 There are no direct implications contained in this report.

11. CRIME AND DISORDER REDUCTION IMPACT

- 11.1 There are no direct implications contained in this report.

12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 12.1 The Education and Skills Funding Agency require the proposed 2021/22 school funding formula to be politically approved by mid-January 2021, prior to the submission of the authority pro-forma tool, which specifies Croydon’s schools funding formulae, by 21st January 2021. There is no direct action requested at this point.

13. OPTIONS CONSIDERED AND REJECTED

- 13.1 Given the provisional allocations there is no requirement for additional action at this time.

14. DATA PROTECTION IMPLICATIONS

- 14.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF ‘PERSONAL DATA’?**

NO

CONTACT OFFICER: Kate Bingham, (Interim) Head of Finance – Children, Families and Education

APPENDICES TO THIS REPORT:

- Appendix 1: Dedicated Schools Grant (DSG) School Funding Formula – 2021/22 Formula Factors
Appendix 2: Dedicated Schools Grant (DSG) School Funding Formula – 2021/22

Appendix 3: Split Sites factor
Schools Forum Minutes of Meeting held on Monday 9 November 2020

BACKGROUND PAPERS:

School Forum Papers <https://www.croydon.gov.uk/education/schools-new/statnotice-consult/croydon-schools-forum/csforum>