
SUBJECT: IMPLEMENTATION OF THE NEW SCHOOL FUNDING FORMULA
DATE: 8 NOVEMBER 2012
RECIPIENT: OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

The Department for Education (DfE) has notified all local authorities of its intention to reform school funding with effect from 2013-14. Schools will no longer receive their funding under the previous local formula but instead funding will be based on a new set of DfE defined factors, the objective of which is to create a more simple, consistent and transparent funding system. The proposal is for the reforms to lead to a national funding formula in the next Spending Review period, starting 2015-16 at the earliest.

BACKGROUND and BRIEFING DETAILS:

1. Primary and Secondary schools currently receive an annual budget share calculated using Southampton's locally set Fair Funding Formula. The current local formula contains 21 funding factors.
2. By April 2013, each Local Authority has to set a brand new formula based on a suite of up to 12 allowable factors defined by the DfE. Following discussion with Southampton's Schools Forum a suite of ten factors are proposed for the new funding formula as detailed in Appendix A.
3. The implementation of a new funding formula will inevitably lead to movements in funding between schools. The recommendation by Southampton's Schools Forum is that the new model seeks to limit the movement of funds as much as possible to avoid undue turbulence in funding. The new Southampton formula results in a ratio of funding between Primary and Secondary schools of 1:1.33 which would mean that an average Secondary School will be funded at 133% of an average Primary School. The current national average ratio is 1:1.27.
4. Large reductions in individual schools funding will be limited by the DfE's Minimum Funding Guarantee which ensures a maximum loss of 1.5% per pupil. In order to afford the cost of supporting those schools that would lose under the new system the proposed formula scales back the amount any school would gain.
5. Southampton's Schools Forum has been involved in the process of developing the new formula, and the majority of their recommendations have been adopted. The details of the proposed formula were sent to the Chair of Governors, Head teacher and Finance Manager of all maintained schools and academies in the city on 21 September 2012 for consultation. The results of the consultation are summarised in Appendix B.
6. Schools Forum met on 17th October 2012 and agreed the new formula as detailed in Appendix A with two exceptions:
 - Not agreed to fund £450,000 through the PFI factor.
 - Not agreed to allocate any growth funding received to the PFI factor.

7. The Forum wished to register with Southampton City Council their understanding of the difficulties in which they find themselves due to the Government cuts in grant funding. They also wished to register the fact that they had not come to their decisions easily and appreciated the fact that Southampton City Council was asking the Forum to add a PFI factor amount of £450,000 and not the full amount of £1.2 million into the new funding formula model.
8. Notwithstanding the Forum recommending not to accept the amount of funding allocated to the PFI factor, officers are nonetheless recommending approval as this funding will go towards payment of the PFI affordability gap, thereby directly contributing to Council savings targets in 2013-14.

RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

9. **Resource implications:**

School budget shares are entirely funded by the Dedicated Schools Grant.

10. **Policy implications:**

The proposals set out in the report are consistent with the strategies and policy objectives set out in the Children and Young People's Plan (CYPP).

11. **Legal implications:**

The School Finance (England) Regulations 2011 and the Education Act 2010-12 direct any changes made to the Fair Funding Formula used to determine school budget shares.

Appendices/Supporting Information:

Appendix 1 Schools Funding Reform 2013-14

Appendix 2 Summary of consultation responses

**Further Information Available
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