

Delegation proposals for Band 3 and Band 4 2012/13

Introduction

1. Schools Forum on 24th February asked the Budget Working Group to review the detail of the proposals to delegate Band 3 to primary schools following concerns raised that some schools may not receive adequate funding.
2. Schools Forum on 24th February approved the delegation of Bands 3 & 4 to high schools and also that Band 4 should be retained centrally for primary schools. Additionally Schools Forum approved £100k to be used to provide protection for those schools losing in the delegation process. Normally this funding is shared pro-rata amongst those schools losing funding.
3. The funding model considered by the task and finish group which included Heads from both primary and secondary during summer 2011 was based on last full financial year available i.e. 2009/10. The group considered there was a good fit between the actual data and the funding model particularly when the delegation percentage for small primary schools was split on a sliding scale dependent on size of schools. The group rejected delegation of Band 4 to primary schools and also rejected retaining the Band 4 top- up for high schools (i.e. the £4,150 difference between the £7,350 for band 3 and the £11,500 for band 4).
4. The budget consultation was based on these proposals

Financial Analysis

5. Since the School Forum meeting, funding allocations from the February banding panel have been processed and included in the 12/13 funding model. There has been a significant growth in the cost of primary school Band 3 as follows
 - 2009/10 £337k
 - 2010/11 £409k
 - 2011/12 £586k
6. Also the 2012/13 known commitments for Band 3 for primary schools and all bands for high schools have been calculated. Note that commitments from the March banding panel have always been funded in the new financial year due to the timescales involved – and this will continue to be the case.
 - Primary school Band 3 commitments £343k
 - Primary Band 4 commitments £543k
 - High school Band 3 & 4 commitments £783k
7. The available funding in 12/13 is set out in the following table. The funding comprises the amounts delegated to schools in 2010/11 plus a share of the

centrally retained budget for newly allocated bands and a share of the growth allocate by Forum.

Funding Available in 2012/13	Band 3 £'000	Band 4 £'000	Total £'000
Primary delegated 2010/11	331	436	767
Secondary delegated 2010/11	467	346	813
Budget for new bands allocated in 2011/12 (split not available)	380	255	635
Growth in 2012/13 – <i>split provisional</i>	186	14	200
MFG Protection funding	50	50	100
Total Available	1,414	1,101	2,515

Proposed 2012/13 Allocation

It is proposed to increase the funding allocated to schools to take account of the increased spend as follows

Delegated to High schools for Band 3 & Band 4	£1,051k
Primary known Band 4 commitments	£543k
Primary Delegated Band 3 – Original (updated Option A)	£587k
Available for primary new band 4 and part band 3	£234k

Proposed Total	£2,415k
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Question 1 – How to estimate accurately new applications from primary schools for Band 3 (part) and band 4 in 2012/13?

Question 2 – Is the £100k for MFG protection still necessary given the protection offered to schools by options A – D?

(Note- the actual banded funding would be outside the MFG so any option with 2/3rd actuals will not require MFG protection – Will only know for certain when final budgets have been calculated).

Delegation model based on 2009/10 data

- The original model considered by the task group is set out as a separate report. The primary school losses were £68k and the high school losses were £67k i.e. a total of £135k which the £100k would help cover any such losses outside the minimum funding guarantee.
- When Bands 1 & 2 were delegated to schools in 2009, protection arrangements were put in place based on a phased transfer to the new formula based on the baseline band 1 & 2 funding in 2008/09. The protection model provided for

- **Year 1:** $\frac{1}{2}$ x uplifted 2007/08 actuals + $\frac{1}{2}$ formula funding. Additional protection was applied pro-rata to losses
- **Year 2:** $\frac{1}{4}$ x uplifted 2007/08 actuals + $\frac{3}{4}$ formula funding. Additional protection was applied to losses
- **Year 3:** 100% formula funding. Additional protection applied to losses
- **Year 4:** 100% formula and no protection.

Delegation model 2012/13

10. Bearing in mind the protection arrangements provided for the delegation of Bands 1 & 2, options are suggested to the Budget Working Group for consideration as follows;

Option A: As originally proposed in the consultation paper

11. Funding for the delegation model is increased to cover 2011/12 spend and protection is provided for by the MFG and the £100k agreed by Schools Forum – to be applied on a pro-rata basis. The delegated funding for primary schools was based on the £331k included in school budgets in 2010/11.

Option B: Protect against average spend over the previous three years

12. It is clear that expenditure on Band 3 funding varies from year to year as pupils move schools or individual banded funding ceases. The average expenditure over the most recent three year period could be used as a base line to smooth the introduction of delegated band 3 funding by providing protection for most schools by phasing in the delegation formula gradually on a percentage basis. This method worked well when the funding for bands 1 & 2 was delegated in 2009. This protection model takes account of the average spend on banded funding over the three years to 2011/12.
13. In addition, the increase in band 3 spending in primary schools will be factored into an increase in the funding allocated through the formula. This will provide for sufficient funding for all primary schools except those schools where there has been a consistent year on year growth in band 3.
14. Option B provides for delegated funding at the 2011/12 spend level and phased in so that 2012/13 would be $\frac{2}{3}$ of the three year average spend + $\frac{1}{3}$ rd delegated formula. 2013/14 would be $\frac{1}{3}$ rd of the three year average spend + $\frac{2}{3}$ rd delegated formula and 2014/15 would be 100% formula funded.

Option C: As per option B but subject to a minimum of known commitments in 2012/13.

14. Known commitments for 2012/13 are now available following the February banding panel. Under option B 18 schools would not receive sufficient funding to meet known 2012/13 commitments, the biggest individual difference is £15k. An addition to option B to ensure that all schools receive a minimum level of funding that will cover the known commitments in 2012/13 would be a significant improvement to the arrangements set out in paragraph 13. This can be achieved by simply applying the minimum funding level of “known commitments” to all schools. Funding decisions from the March panel will need to be considered separately as they will probably be too late to include in the formula funding.

Option D: Amend the delegation table to phase in over three years

15. Potentially, this is the fairest option for phasing in the delegation proposals; however schools would have to continue to submit applications for band 3 & band 4 pupils in order to receive actual funding. In addition it would be difficult to calculate the split of funding to be delegated to schools and that retained for new applications.

Band 3 proposals for primary schools	Percentage funded by formula	Percentage funded at actual cost
300 pupils or more	100%	0%
150 to 299 pupils	75%	25%
100 to 149 pupils	50%	50%
75-99 pupils	25%	75%
Less than 75 pupils	10%	90%

16. The table would be amended so that 100% formula funding was phased in over three years as follows;

Delegation phased in over three years formula – with current year actuals	2012/13 2/3 rd Actual 1/3 rd formula		2013/14 1/3 rd Actual 2/3 rd Formula		2014/15 0% actual 3/3rds Formula	
	% funded by formula	% funded at actual cost	% funded by formula	% funded at actual cost	% funded by formula	% funded at actual cost
Band 3 proposals for primary schools						
300 pupils or more	33%	67%	67%	33%	100%	0%
150 to 299 pupils	25%	75%	50%	50%	75%	25%
100 to 149 pupils	17%	83%	33%	67%	50%	50%
75-99 pupils	8%	92%	17%	83%	25%	75%
Less than 75 pupils	3%	97%	7%	93%	10%	90%

17. The Budget Working Group is asked to consider the financial analysis, the attached spreadsheets of options A – D and to make recommendations to Schools Forum.