

Meeting:	Lifelong Learning Scrutiny Sub Committee Education Consultative Forum
Date:	10 January 2006 and 31 January 2006
Subject:	People First Education Budget 2006/2007 and Medium Term Budget Strategy
Responsible Officer:	Executive Director of Business Development and Executive Director People First
Contact Officer:	Paula Foulds
Portfolio Holder:	Portfolio Holder for Finance & Performance and Portfolio Holder for Education and Lifelong Learning
Key Decision:	No
Status:	Part 1

Section 1: Summary

Decision Required

To forward any comments on the People First Education Budget agreed for consultation for 2006/2007, for consideration by the Cabinet and Council.

Reason for report

To meet the budget timetable for consultation for Cabinet to recommend to Council a budget for 2006/2007.

Benefits

The comments of the Education Consultative Forum and Lifelong Learning Scrutiny Sub Committee will be considered by the Cabinet and Council.

Cost of Proposals

The draft budget requirement for 2006-07 is £150.029m. The Council's budget is funded from a combination of government grants, Council Tax, fees and charges

and investment income. The anticipated Harrow council tax for 2006-07, based on the provisional settlement, is £1072.16 for a Band D property, an increase of 2.97%. The detailed schedules attached analyse the proposals for the People First Education Budget.

Risks

There is minimal risk in consulting on the draft budget for 2006/2007.

Implications if recommendations rejected

The comments of the Education Consultative Forum and Lifelong Learning Scrutiny Sub Committee will not be able to be considered by the Cabinet and Council.

Section 2: Report

Brief History

- 2.1 The People First Directorate budget has been summarized into 3 areas; Children's Services, Adult Community Care and Learning & Community Development. The elements of the budget that relate to education and lifelong learning are included within Children's Services and Learning & Community Development and therefore the Adult Community Care proposals have been excluded from this report.
- 2.2 In addition to the above there is the Dedicated Schools Grant (DSG). With effect from 1 April 2006 the Government is removing the Schools Formula Spending Share (SFSS) from the Local Authority formula grant and schools funding will come in the form of a ring-fenced grant from DfES to be known as the Dedicated Schools Budget (DSG).

Provisional Settlement 2006/2007

- 2.3 Details of the provisional finance settlement for 2006/2007 were published and announced week commencing 5 December 2005. As part of the move to 3-year settlements the Government has announced provisional figures for 2007/2008 as well as 2006/2007.
- 2.4 The government has carried out a major review of the formula which is used to allocate resources to local authorities and this has created a great deal of uncertainty. Harrow, in common with 15 other London Boroughs has received the floor increase in Formula Grant of 2% in 2006/2007. The average for the London area is 2.8% and the average for England is 3.1%. In 2007/2008 Harrow will receive the floor increase of 2.7% compared to the London area average of 3.5% and the England average of 3.8%.
- 2.5 The Government is proposing to adopt a 4-block model of grant distribution to replace the previous system of formula spending shares (FSS). The concept of FSS is being replaced by a Relative Needs Formula (RNF) although there

is no direct comparison between FSS and RNF. Also RNF cannot be used as a comparison with expenditure on individual services.

Options considered

- 2.8 The Council's draft budget requirement for 2006-07 is £150.029m. The Council's budget is funded from a combination of government grants, Council Tax, fees and charges and investment income. The anticipated Harrow council tax for 2006-07, based on the provisional settlement, is £1072.16 for a Band D property, an increase of 2.97%.
- 2.9 Appendix A sets out the Budget Summary for 2006/2007 to 2008/2006. Appendix B sets out all the detail behind the summary at Appendix A. It includes the repriced base budget changes and the growth and savings as per the current MTBS for the People First Children's and Learning & Community Development budgets. The Corporate efficiency savings are also shown.

Dedicated Schools Grant

- 2.10 Appendix C sets out the funding settlement in relation to the dedicated schools grant.

Consultation

- 2.12 Consultation will take place with the Lifelong Learning Scrutiny Sub Committee on 10 January 2006 and the Education Consultative Forum on 31 January 2006. In addition there are further stakeholder meetings for other areas of the Council's budget.

Financial Implications

- 2.13 This is a report of the Executive Director of Business Development and the Executive Director of People First and is concerned with financial matters throughout.

Legal Implications

- 2.14 There are no legal implications arising from this report.

Equalities Impact

- 2.15 The budget provides resources to ensure that the Council delivers its Corporate Equalities Plan and achieves Level 3 of the Equalities Standard.

Section 3: Supporting Information/Background Documents

	Appendices are attached as follows:	Page Number
A	Budget Summary	
B	Budget Detail	
C	Schools Budget	
D	Glossary	

Background Papers

Report to Cabinet 15 December on the 2006-07 Revenue Budget and Medium Term Budget Strategy 2006-07 to 2008-09

Appendix A

	2005-06	2006-07			2007-08			2008-09		
	Budget	Budget	Council Tax	Change	Budget	Council Tax	Change	Budget	Council Tax	Change
	£m	£m	£	%	£m	£	%	£m	£	%
Base Budget	242.533	254.361	1041.28		150.029	1072.16		156.321	1123.82	
Schools expenditure	7.056	-110.900		0.00%						
Collection Fund Surplus/Deficit 2005-2006		0.000	0.00	0.00%			0.00%			0.00%
Change in Council tax base			-2.35	-0.23%		-2.35	-0.22%		-2.35	-0.21%
Non-recurring items	0.175									
Repriced Base Budget	249.764	143.461	1,038.93	-0.23%	150.029	1,069.81	-0.22%	156.321	1,121.47	-0.21%
RSG/Grant changes			-38.76	-3.72%		-20.42	-1.90%		-21.40	-1.90%
LPSA Reward Grant			-5.90	-0.57%		0.00	0.00%		5.90	0.52%
Base budget Changes and Technical	-3.578	2.644	31.35	3.01%	1.901	22.49	2.10%	2.000	23.60	2.10%
Basic Inflation (exc schools)	4.482	4.280	50.76	4.87%	5.405	63.94	5.96%	5.500	64.90	5.77%
Additional Inflation	1.664	0.645	7.65	0.73%	0.300	3.55	0.33%	0.000	0.00	0.00%
Business Transformation Partnership		-1.608	-19.07	-1.83%	-1.438	-17.01	-1.59%	-0.468	-5.52	-0.49%
Contribution to/(from) reserves		0.341	4.04	0.39%	0.033	0.39	0.04%	0.640	7.55	0.67%
Total Base Position	252.332	149.763	1,069.00	2.66%	156.230	1,122.74	4.72%	163.993	1,196.49	6.47%
<u>Growth/Savings as per current MTBS</u>										
Children's Services	2.366	0.235	2.79	0.27%	-0.070	-0.83	-0.08%	0.000	0.00	0.00%
Adult Community Care	0.644	0.365	4.33	0.42%	0.550	6.51	0.61%	0.000	0.00	0.00%
Learning Services	0.144	0.295	3.50	0.34%	0.100	1.18	0.11%	0.000	0.00	0.00%
Urban Living	2.402	2.179	25.84	2.48%	1.411	16.69	1.56%	0.000	0.00	0.00%
Business Development	0.64	0.285	3.38	0.32%	0.025	0.30	0.03%	0.000	0.00	0.00%
Corporate	-4.167	-0.743	-8.81	-0.85%	-0.025	-0.30	-0.03%	0.000	0.00	0.00%
Target net reduction		-2.350	-27.87	-2.68%	-1.900	-22.48	-2.10%			
Total	254.361	150.029	1,072.16	2.97%	156.321	1,123.82	4.82%	163.993	1,196.49	6.47%

Appendix B

Base Budget Changes

	2006-07 £000	2007-08 £000	2008-09	Notes
Base Budget Changes				
Delete LPSA base budgets	-1093			One-off reduction
Single Status	-250			Budget not required
Print Room Savings	150			Savings not achieved in full
Land Charges Income	300			Pressue due to slow property market
Children's Placements	600			Demand led budget
Asylum Seekers	400			Demand led budget
Grant Changes				
Preserved Rights	100	0		Specific grant reduced
Residential Care	700	0		Specific grant being phased out
Benefits Performance Fund		100		Grant funding ceases from 2007-08
Technical Changes				
Review of capitalisation	-200			
Interest on Balances	500	0		Impact of reduced interest rates and reduced cash flow
Debt restructuring	-840	-154		Refinancing debt at lower interest rates
Capital Financing	2427	1955	2000	Revenue costs of capital programme
Insurance premium	-150			Seek to increase level of self-insurance from 2006-07
Total Base Budget Changes	2644	1901	2000	

Appendix B

Basic & Additional Inflation

	2006-07 £000	2007-08 £000	2008-09 £000	Notes
Basic Inflation				
Pay & pensions increase	3330	3430	3500	Pay at 2.75%, Pensions at 1.7%
Other costs	950	975	1000	CPI at 2.3% less savings target
Total Basic Inflation	4280	4405	4500	
Additional Inflation				
Concessionary Fares	400	300	0	Estimates from ALG
Gas & electricity	245	0		National price increases
Total Additional Inflation	645	300	0	

Appendix B

Business Transformation Partnership

	2006-07 £000	2007-08 £000	2008-09 £000	Notes
Expenditure				
Contract and Harrow costs	1325	-147	-212	
Total Basic Inflation	1325	-147	-212	
Guaranteed savings	-2933	-1291	-256	
Total Additional Inflation	-1608	-1438	-468	

Appendix B

People First - Children's Services

	2006-07 £000	2007-08 £000	2008-09 £000	Notes
Increases in Looked After Children	50	50		Expected demographic increases
Youth & Community	300	0		To fund improvements agreed in strategy
Social care recruitment & retention	150	0		To reduce reliance on agency staff
Grand Total Growth	500	50	0	
Income & Efficiency Savings				
Increase in other social care grants	-65	-120		Specific grant increases
SEN Transport	-100			
Children's Placement Officer	-100	0		Efficiencies from post included above
Net Children's Services	235	-70	0	

Appendix B

People First - Learning Services

	2006-07 £000	2007-08 £000	2008-09 £000	Notes
PFI affordability gap (special schools)	38	0		Costs of Special Schools PFI
School reorganisation	100	100		To implement strategy
IT licenses/training	100	0		Revenue costs of new systems
Libraries Sunday opening	57	0		Extension of opening hours
Arts Culture Harrow	0	0		To meet unavoidable costs
Community Schools		0		Roll out of pilot areas
Grand Total Growth	295	100	0	
Income & efficiency savings				
Net New Growth	295	100	0	

Appendix B

Corporate

	2006-07 £000	2007-08 £000	2008-09 £000	Notes
Efficiency Savings				
Restructuring	-370	0		From restructure of the Council
Reduction in sickness absence	-200	0		Reductions in overtime/agency staff
Reduction in lease cars	-48	-25		Scheme being wound up
Introduce voice over IPT	-125	0		Reduced telephone bills
Net New Growth	-743	-25	0	

Dedicated Schools Grant - Funding settlement 2006/2007

1. Background

1.1 The Government has been seeking changes in the way schools are funded. It has been concerned that similar schools apparently received very different budgets in different parts of the country. Another important factor was that following the 'funding crisis' there had also been continuous pressure for greater year on year stability and certainty in school budgets.

1.2 Therefore, the Government has decided to provide ring-fenced funding for schools from the Department of Education and Skills (DfES) to local authorities, rather than general local government funding and Council Tax. Local authorities will retain responsibility for distributing this funding to schools according to local needs and priorities.

1.3 Important changes include:

- Introduction of ring-fenced 'Dedicated Schools Grant' (DSG).
- Multi-year budgets for schools – initially a two-year budget cycle and then three year budgets from 2008/09.
- Guaranteed minimum increase in pupil funding each year.
- The use of a single count date for funding schools (January PLASC).
- Standards Fund grants to be streamlined into School Development Grant.
- Matched funding for school grants will end through a transfer from the DSG to specific grants.
- Schools Forums will have new decision-making role under the new arrangements as well as their current advisory role

2. 2006/07 & 2007/08 Settlement

2.1 Provisional allocations of 2006/07 and 2007/08 were announced on 7 December 2005 and the overall national level of Dedicated Schools Grant has been increased by 6.4% in 2006/07 and by 6% in 2007/08.

2.2 Harrow's DSG allocations were slightly better at 6.6% per pupil increase in 2006/07 and 6.4% in 2007/08. However, this is below the England average of 6.8% per pupil increase in 2006/07 and 6.7 average in 2007/08.

2.3 Every authority is guaranteed a basic increase of 5% per pupil in 2006/07 and 2007/08. The Government has also allocated monies (included

within the settlement) to local authorities to deliver key reforms such as greater personalisation of learning at Key Stage 3 and in primary schools; support for more practical learning options for pupils aged 14-16; support the costs of workforce reform in primary schools and; resources to meet the increased entitlement to free early years provision from 33 weeks to 38 weeks. The Government has indicated that although some of the increases in each year will be earmarked for particular purposes, it will be for local authorities in consultation with their Schools Forums to decide on the distribution of the whole of the grant locally, subject to the minimum funding guarantee.

- 2.4 The Minimum Funding Guarantee has been set at 3.4% for secondary and special schools and 4% for nursery and primary schools in 2006/07. In 2007/08 the guarantee is the same for all schools, at 3.7%.
- 2.5 The allocations have been made using estimated pupil projections. These projections will be changed in line with the 2006 Jan PLASC data and final allocations will not be made till May 2006.

3. Next Steps

- 3.1 Schools Forum have considered the formula factors and data which need to be updated for 2006-07 and 2007-08 and will decide on final allocations of the headroom in January 2006. There are a number of issues which they have explored already and will also need to consider the additional monies allocated by the Government for specific items. Prior to this, Harrow schools will be consulted on the formula factor changes and will be given indicative first budgets in January.
- 3.2 The pupil count will differ from the pupil projections used by the DfES and will change the allocations, as will data changes in the formula factors. A final budget, based on the known Jan pupil PLASC numbers will be given to schools before 31 March 2006 (even though the grant will not be finalised till May 2006).

Glossary

Audit Commission

The national body responsible for ensuring effective audit and inspection of Councils and other public bodies.

Balances

See reserves below.

Base Budget

The Council's main budget for they year, taking into account pressures, savings and funding. This is also used as the basis for future years budgets, updated for inflation, new pressures, savings etc.

Budget Review Working Group

A cross party group of members set up to consider in detail budget and financial issues affecting the Council.

Business Rates

See NNDR below.

Business Transformation Partnership

The Council has entered into a long term contract with Capita. Initially the contract will deliver a new contact centre, new systems and improved management information.

Capital

Spend on creating or enhancing assets such as roads, buildings and computer systems which is one-off and can be classified as an investment.

Chief Finance Officer

The Council's officer designated as carrying the statutory financial role under section 151 of the Local Government Act 1972. This is currently the Director of Financial and Business Strategy (Business Connections)

Collection Fund

A separate account which the Council is required to keep to monitor income from Council Tax and National Non Domestic Rates.

Council Tax

A tax based upon the value of a property which helps to support the council's general budget.

Council Tax Bands

A series of Bands (from A – H) based upon the value of a property which determines how much tax will be levied on each property.

Council Taxbase

The total number of properties in the Borough subject to Council Tax translated to their equivalent at Band D. This is required so that central government can compare the tax burden on each area of the country.

CPA (Comprehensive Performance Assessment)

The Audit Commission's Assessment of how well each Council is performing in a wide range of areas.

CPI (Consolidated Price Index)

The measure of inflation used by government which excludes pay and mortgages.

Demography

The changes in numbers of the population and the make up of those numbers by either age range, ethnicity or location.

External Auditor

The organisation charged with ensuring that the Council's accounts, budgets and finances comply with legislation and are true and accurate records. For the Council this is currently Deloitte & Touche.

Growth

Increased expenditure required to meet service expectations from changes to policy, legislation, demand etc.

HMO

Houses in multiple occupation

HRA (Housing Revenue Account)

A separate account which must be kept by the council to track income and expenditure relating to its stock of council houses.

Local Area Agreement

An agreement between the Harrow Strategic Partnership and central government.

Medium Term Budget Strategy

The Council's plans for how it intends to form its budget in support of its objectives over the following 3 years.

NNDR (National Non-Domestic Rates)

Also called Business Rates. A rate charged on all businesses operating in the Council's area. It is calculated by applying a national figure to the rateable value of each business in the Borough. It is collected by the Council and paid to central government, who then redistribute it based on the Council's population.

PCT

Primary Care Trust

PFI (Private Finance Initiative)

A means whereby the Council enters into a partnership with a private provider to enable capital developments to be undertaken which the Council could not of itself afford and which generates value for money.

Procurement

The ways a council buys in goods and services.

Provisional Finance Settlement

The government's annual announcement of how much financial support each Council will receive in the following year. The final settlement is usually announced some 2 months after this, once the government has all the data it requires.

Repricing

The updating of a base budget to reflect inflation and more accurate costings of pressures and savings.

Reserves

Also called balances. Money held by the Council to cover emergencies and unforeseen expenditure which may occur in the year.

Revenue

Spend on day to day running expenses of the Council.

RPI (Retail Price Index)

The measure of inflation used by government which includes pay and mortgages.

RSG (Revenue Support Grant)

The main grant which central government provides to support overall council expenditure. This grant can be spent on any services the council wishes.

SEN (Special Educational Needs)

Pupils who have educational requirements in excess of standard educational provision

Specific Grants

Additional grant funding from central government in excess of the Revenue Support Grant. These grants are paid for specific purposes and the Council needs to spend the grant for the purposes detailed by central government.