

Meeting:	Education Consultative Forum
Date:	27 January 2009
Subject:	Information Report : Draft Revenue Budget 2009-10 to 2011-12
Responsible Officer:	Corporate Director of Finance, Myfanwy Barrett
Portfolio Holder:	Leader encompassing Strategy, Partnership and Finance, Councillor David Ashton
Exempt:	No
Enclosures:	Appendix 1 - Medium Term Financial Strategy 2009-10 to 2011-12 Appendix 2 - Detailed Budget Proposals – Children’s Services

Section 1 – Summary

This report provides a summary of the draft Council’s budget plans for 2009-10 to 2011-12, as reported to Cabinet in December. Comments on these proposals are sought from a variety of stakeholders including the Education Consultative Forum. The final budget will be reported to Cabinet on 12 February and Council on 19 February.

FOR INFORMATION

Section 2 – Report

Vision and Priorities

1. The Council’s vision is to be recognised as one of the best London Councils in a borough that is cosmopolitan, confident and cohesive. The

Council has adopted an integrated planning framework to ensure that the corporate plan and medium term financial strategy (MTFS) are developed in tandem. The development of the corporate plan and MTFS is an iterative process which takes place over 6-9 months every year.

2. Cabinet approved the Year Ahead Statement in September, including draft corporate priorities as follows:
 - Better streets
 - Improve support for vulnerable people
 - Build stronger communities

Financial Context

3. The development of the medium term financial plan is increasingly challenging because:
 - Harrow is already a relatively low spending council
 - Large parts of the budget are outside the Council's control
 - Considerable savings have been made in previous years (£35m in the last 3 years) and this makes it increasingly difficult to identify new areas for efficiencies and reductions
 - The demand for services and expectations from central government are growing all the time
 - The local government settlement is poor
 - There is considerable uncertainty in a number of areas
 - Reserves are still very low
4. In addition to these demands there is very significant added pressure in the medium term due to the recession including:
 - Additional demands on services, for example an increase in the number of people presenting as homeless, and a reduction in income.
 - High inflation, especially in relation to energy. Whilst it is expected to fall in the coming months, there is considerable residual pressure particularly in relation to contracts.
 - Pressure on investment income following the dramatic cut in the base rate. In addition the credit crunch will prompt a more reduced risk approach to investment which will affect returns.
5. Currently the proposed budget allows for additional costs or reduced income directly attributable to the economic position of £3.5m in 2009-10. In addition, Directorates are absorbing an estimated £1m of cost pressures due to the economy, particularly in relation to general price inflation and loss of income.

Current Position

Central Government Funding

6. Last year the government announced a 3 year settlement for 2008-09 to 2010-11. The grant increase for Harrow was 2% this year and will be 1.75% in 2009-10 and 1.5% in 2010-11. Like the great majority of London councils, this settlement is the minimum it can be under the settlement, ie it is "on the floor". Harrow's settlements will remain on the floor for several

years to come. Given the current economic conditions the outlook for the local government settlement is poor, therefore the assumed grant increase for 2011-12 is zero.

Council Tax Strategy

7. The assumption at this stage for Harrow is that Council tax will rise by 3% each year. However this is a challenging strategy given all the additional pressures created by the economic climate.
8. The administration is committed to stabilising council tax in real terms over the medium term. The administration is also committed to producing prudent and achievable budgets and therefore must be mindful of the financial context outlined above, in particular the added pressure due to the economy.

Draft Summary Medium Term Financial Strategy (MTFS)

9. The draft summary MTFS as submitted to Cabinet in December is attached at Appendix 1. The change in the budget requirement for 2009-10 can be summarised as follows:

	£m
Budget Requirement 2008-09	162.8
Base budget and technical changes	4.8
Inflation	5.3
Investment in services	4.6
Efficiency Programme	(4.7)
Remaining funding gap (assuming 3% council tax increase)	(4.2)
Budget Requirement 2009-10	168.6

10. The draft MTFS includes investment in services of 4.6m in 2009-10, £4.6m in 2010-11 and £4.2m in 2011-12. The main areas of investment in 2009-10 are:
 - Social care for Adults and Children
 - Neighbourhood Resource Centres (a PFI scheme)
 - Waste management and disposal
11. The efficiency programme in 2009/10 totals £4.7m in 2009-10. It aims to minimise the impact on front line services and focuses on:
 - Benefits of new technology
 - Better procurement
 - Service Reviews
 - Service transformation in Adults
 - West London and pan-London initiatives
 - A range of small savings across all service areas
12. Further details of the investment and efficiency savings relating to Children's Services is provided in Appendix 2.

Current Funding Gaps

13. The current funding gaps are £4.2m in 2009-10, £8.2m in 2010-11, £7.3m in 2011-12. These figures include:

- Prudent amounts for technical issues
- Basic inflation plus provision for economic pressures across the 3 year period
- Provision for two PFI schemes
- Additional investment in services
- The efficiency programme

14. It has not been possible to produce a balanced budget for 2009-10 at this stage due to all the additional financial pressures the council is facing and the growing demand on services. The council is legally required to set a balanced budget for next year and the funding gap must be closed by the time the final budget proposals are presented in February.

15. In order to close the remaining funding gap, officers will:

- Continue to review and refine the technical assumptions, particularly given rapidly changing economic position
- Review the capacity for investment
- Further develop the efficiency programme with a view to significantly increasing the value of the programme across the three year period

SCHOOL'S BUDGETS

2008/09 to 2010-11 Settlement

16. Dedicated Schools Grant (DSG) is used to fund both the individual schools budget (ISB) and centrally retained items. The former goes to schools, whilst the latter is held by the Local Authority to spend on specific items such as Early Years (private and voluntary sector nurseries) and fees for out of borough pupils at independent special schools.

17. 2009-10 is the second year of a three year Government funding cycle for schools. The Department of Children's Schools and Families (DCSF) has announced DSG funding allocations for the years 2008-09 (actual) and 2009-10 and 2010-11 (provisional). The per pupil funding for 2009-10 has been confirmed as £4,669 (a 3.6% increase on 2008/09) and for 2010-11 as £4,862 (a 4.1% increase on 2009-10). The calculation of the total of Dedicated Schools Grant for 2009-10 and 2010-11 will depend on the January 2009 and January 2010 pupil counts respectively.

18. Harrow received £133m DSG grant for 2008/09. The 3.6% increase per pupil in 2009-10 and 4.1% in 2010-11 results in an estimated grant of £138m, and £143m in the respective financial years, assuming pupil numbers remain constant. These projections were reported to School's Forum in November. Contained within these figures are amounts allocated for ministerial priorities, and Schools Forums and Local Authorities are expected to bear this in mind when setting the schools budget. For 2009-

10 the settlement includes a provisional £1m for the ministerial priority of personalised learning in schools. This figure rises to £2.8m in 2010-11.

19. The January 2009 pupil count will differ from pupil projections used to estimate the grant, and this will result in a change in the final grant allocation. The final 2009-10 budget, based on the January pupil level annual school census (Plasc) numbers, will be reported to the School's Forum in March and provided to schools by the 31 March 2009. The final grant is not expected to be finalised by DCSF until summer 2009.

20. The minimum funding guarantee for 2009-10 is set at 2.1%, i.e. the minimum increase any school will receive is 2.1% per pupil.

21. Schools Forum is in the process of considering the formula factors and data, which may need to be updated for 2009-10 and subsequent years. Final decisions will be made by Schools Forum in December/January. Issues facing Schools Forum are:

- Increasing pressures on special educational needs including numbers of statemented pupils in mainstream schools, special school places, specialist provision for autistic pupils, and increasing demands for places in out-borough residential schools.
- Making provision for personalised learning as suggested by ministerial priorities.
- School improvement initiatives, including the coordination of the advanced skills teacher programme, leadership development in schools, and support for schools aspiring to move from good to outstanding.
- The need to make adequate contingency provision for in-year increases in pupil numbers and statements of special educational needs.
- Support for the new Krishna-Avanti school as it builds up its pupil numbers.
- Changes to the funding formula so as to better target protection funding for schools that suffer a reduction in budget as a result of unplanned changes in pupil numbers.

22. Schools will also receive provisional 2010-11 budgets before 31 March 2009, and the 2010-11 budgets will take into account the outcome of Cabinet's deliberations in January on proposed changes to school organisation and the age of transfer. Schools Forum is giving consideration to supporting primary schools should Cabinet decide to proceed with the Change of Age of Transfer. Individual schools will need to accrue some revenue over the next two years to offset reductions that will occur as pupils move from the primary to the secondary sector and to support the transition years in high schools.

23. DCSF does not require budgets for 2011-12 to be issued at this stage, as it has not yet concluded a review of DSG for that year. This may result in a shift in resource allocation between Councils. An indicative figure of 2.5% is currently being reported to the School's Forum for planning purposes however this will be refined as the conclusion of the DSG review become known.

Reserves

24. Assuming that the pressures identified in 2008-09 can be effectively managed, reserves are forecast to reach £4m by the end of the year. In February 2008 the risk assessment showed that the minimum level the Council should hold is £3.5m. The draft MTF5 is based on the assumption that the contribution of £0.5m will continue in each of the 3 years. Subject to actual spending, this will result in general balances of £5.5m by the end of 2011-12.

GLA Precept

25. The GLA precept is currently £309.82 for a band D property and it is anticipated that there will be a low or nil precept increase next year.

Capital Programme

26. Planned capital Investment in 2009/10 totals £60m including:

- Housing improvement programme
- Improvements to schools and social care establishments
- Improvements to leisure facilities
- New technology to improve services
- Highways, lighting, transportation, parks and public conveniences

27. The capital programme is funded from a number of sources. These include:

- External funding in the order of £25m, primarily from the DCSF and Transport for London
- Major Repairs Allowance (Housing Revenue Account)
- Capital receipts (but none anticipated next year)
- Borrowing

Consultation and Information Sharing

28. Consultation has been carried out on priorities via the residents' panel and via a campaign entitled "Have Your Say", supported by the Harrow Times. The consultation activity produced consistent results and generally the three proposed priorities were supported. The corporate priorities provide the framework for the corporate plan which will be considered by Cabinet alongside the final budget in February.

29. The Education Consultative Forum is one of a series of meetings being held with stakeholders in January and February to share information on the Council's budget plans and to seek comments.

Section 4 - Contact Details and Background Papers

Contact: Emma Stabler, Finance Business Partner – Children's Services
020 8424 1978

Background Papers: Draft Revenue Budget 2009-10 to 2011-12, 18th
December 2008 Cabinet

Appendix 1

MEDIUM TERM FINANCIAL STRATEGY 2009-10 to 2011-12

	2008-09 Budget £m	2009-10 Budget £m	2010-11 Budget £m	2011-12 Budget £m
Budget Requirement Brought Forward		162.837	168.599	172.628
Technical changes		4.786	4.105	2.840
Inflation		5.300	5.200	5.750
Investment in priority areas - years 2 and 3		0.000	2.000	2.000
Adults and Housing		-0.598	0.743	0.250
Children's Services		0.098	-0.380	-0.076
Community and Environment		0.313	1.411	0.900
Corporate Directorates (Assistant Chief Executive, Legal, Finance)		0.049	-0.814	-0.958
FUNDING GAP		-4.186	-8.236	-7.286
Total Change in Budget Requirement		5.762	4.029	3.420
Revised Budget Requirement	162.837	168.599	172.628	176.048
Collection Fund Deficit	1.365	0.000	0.000	0
Government Grant	-65.698	-66.786	-67.764	-67.764
Amount to be raised from Council Tax	98.504	101.813	104.864	108.284
Council Tax at Band D	£ 1,152.55	£ 1,187.14	£ 1,222.78	£ 1,259.51
Increase in Council Tax (%)	2.95	3.00	3.00	3.00

Tax Base	85,466	85,763	85,759	85,973
Assumed collection rate	98.50%	98.25%	98.00%	98%

Appendix 2

Detailed Budget Proposals – Children’s Services

Proposal	2009-10 £000	2010-11 £000	2011-12 £000
Investment in Services			
Placement procurement	37	39	42
Child Protection Chair	24	25	26
School Improvement Partners	45	47	49
Services for 16-18 year olds	50	25	
Children With Disabilities	41	42	44
Duty and Assessment function	37	39	41
Extended Schools	248	-400	
Positive Activity for Young People	95	68	
Carer's Grant (Children and Adults)	67	66	
Child and Adolescent Mental Health Service (CAMHS)	28	27	
Child Death Review	1	2	
Sub Total	673	-20	202
Efficiency Programme			
Efficiency projects in partnership with Capita	-140		
Corporate Director's budget	-24		
Young People's service	-6	-5	-5
Integrated Early Years and Community Services	-203	-203	-196
Children's Placements	-150	-100	-75
Achievement and Inclusion	-2	-2	-2
Special Needs Services	-50	-50	
Total Efficiency Programme	-575	-360	-278
TOTAL	98	-380	-76