

REPORT FOR: Education Consultative Forum

Date of Meeting:	27 January 2010
Subject:	Information Report : Draft Revenue Budget 2010-11 to 2012-13
Key Decision:	N/A
Responsible Officer:	Emma Stabler, Finance Business Partner – Children’s Services
Portfolio Holder:	Councillor Anjana Patel, Portfolio Holder for Schools and Children’s Development
Exempt:	No
Decision subject to Call-in:	N/A
Enclosures:	None

Section 1 – Summary and Recommendations

This report provides a summary of the draft Council’s budget plans for 2010-11 to 2012-13, 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 11 February and Council on 18 February.

Section 2 – Report

Vision and Priorities

1. The Council's vision is to be recognised as one of the best London Councils by 2011/12. 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 council priorities for 2010/11 are:
 - Deliver cleaner and safer streets
 - Improve support for vulnerable people
 - Build stronger communities

Financial Context

2. 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 (£45m in the last 4 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 provisional local government settlement is poor for 2010-11 and the outlook for the next spending review is worse
 - The settlement for concessionary fares for London for 2010-11 has been revisited very late in the day (cost to Harrow is £1m)
 - The UK is currently in recession
 - There is more work to do to strengthen the Council's balance sheet

Current Position – Council Funding

Central Government Funding

3. 2010/11 is the final year of the 3 year settlement for 2008-09 to 2010-11. The grant increase for Harrow in 2010/11 is 1.5% compared to 1.75% in 2009-10. 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 and grant reductions from 2011-12 of 3% a year in cash terms (4.5% in real terms) have been assumed.

Council Tax Strategy

4. At December Cabinet, the draft budget was based on Council Tax increases of 0% in 2010-11, and 2.5% in 2011-12 and 2012-13. 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)

5. The draft summary MTFS was submitted to Cabinet in December. The change in the budget requirement for 2010-11 can be summarised as follows:

	£m
Budget Requirement 2009-10	168.8
Capital financing costs and investment income	2.7
Technical changes	2.9
Inflation	1.0
Investment in services	4.5
Efficiency programme	(7.3)
Remaining funding gap (assuming no council tax increase)	(1.0)
Budget Requirement 2010-11	171.6

6. The budget assumes 0.5% pay inflation for 2010/11 and 1% increase in prices and fees and charges. The council is legally required to set a balanced budget for next year and the remaining funding gap of £1m must be closed by the time the final budget proposals are presented in February.
7. The draft budget includes investment in services of £4.5m including £3m on adult and children social care and £1m on waste disposal. The efficiency programme in 2010/11 totals £7.3m and includes better use of technology, better procurement including pan London and west London working plus a range of small savings across services. Further details of the investment and efficiency savings relating to Children's Services is provided in Appendix 1.

Reserves

8. Assuming that pressures identified in 2009-10 can be effectively managed, reserves are forecast to exceed £6m by the end of the year. From 2010-11, the first call on any underspend at the end of the year will be a contribution to general balances. The value of the contribution will be up to £0.5m and will be determined with regard to the size of the underspend, the underlying strength of the balance sheet and other priorities.

GLA Precept

9. 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.

Consultation and Information Sharing

10. 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.

- 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.

School Budgets

2008/09 to 2010-11 Settlement

- 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 fees for out of borough pupils at independent special schools.
- 2010-11 is the final year of a three year Government funding cycle for schools. The Department of Children's Schools and Families (DCSF) has announced the actual allocations for 2010/11. The per pupil funding for 2010-11 has been confirmed as £4,862 (a 4.1% increase on 2009-10). Based on indicative pupil numbers it is estimated that the council will receive £142.6m of DSG in 2010-11. The actual 2010/11 DSG is based on the January 2010 pupil level annual school census (Plasc) numbers and as this will differ from the pupil projections used to estimate the grant this figure is subject to change. The final 2010-11 budget, based on the January pupil numbers, will be given to schools before March 2010. The grant is not expected to be finalised by DCSF until summer 2010.
- The 2010/11 school's budget was considered by School's Forum in November. After providing for inflation and the impact of the 2.1% minimum-funding guarantee, it leaves £3.2m headroom to be allocated. Schools Forum was consulted regarding the allocation of the headroom and it was agreed that the following items be funded from the headroom. Each of these items is described in more detail below.

	£'000
Headroom Available	3,277
Less	
Special School Growth	(550)
Age of Transfer Transitional Protection Funding	(360)
Growth in High Value Costed Statements	(500)
Additional funding for ARMS places	(100)
Schools Specific Contingency	(1,372)
Balance	395

- Age of Transfer Transitional Protection Funding** - Based on initial projections it is estimated that £360k will be required to fund the Age of Transfer Transitional Protection funding in 21010/11.

- **Special School Growth** - £550k has been allocated to fund an expansion of special school places including the new category of behavioural support.
- **Additional Funding for ARMS places** - In order to provide continuity of provision for children with specific language impairment it is proposed to make provision equivalent to that currently available in year 3 at Welldon park First School in year 3 at Welldon Park Middle School from September 2010.
- **Growth in High Value Costed Statements** - There has been significant year on year increases in the funding required to enable schools to make provision for children with high value costed statements. It is therefore anticipated an additional amount of £500k may be needed within the individual the individual school budgets to cover the growth in 2010-11.

15. After allocating funding from the headroom to the growth items, there remains approximately a balance of £395k. Any remaining balances after funding the above from headroom should be shared pro rata in sectors (i.e. Special Schools getting the appropriate share based on place factors not on pupil numbers).

Schools Specific Contingency

16. The schools specific contingency forms part of central items. Schools Forum is still finalising the items to be funded from contingency in 2010/11. The details of potential items are shown below.

Description of Items	2010-11 Budget £'000	2009-10 Budget £'000
Pupil & FSM trigger funding	500	305
SEN - New Statements	450	250
Formula Contingency	0	5
Krishna Avanti interim funding	50	80
Autism in mainstream schools	232	218
Good to Outstanding	80	82
AST Co-ordinator	30	30
Leadership Development	30	30
Adj for London Pay Addition		(32)
Total	1,372	968

17. The contingency includes an increase in the budget for trigger funding as the projected increase in pupil numbers is likely to lead to additional trigger funding payments to schools following the October 2010 and January 2011 school census. The provision for new high value costed statements has also been increased to reflect actual levels of expenditure in recent years.

Central Items

18. The budget for the central items within the Dedicated Schools Grant has been reviewed and consulted with Schools Forum. Central items

expenditure for 2010/11 is estimated to increase by £225k for inflation. Further details are shown in the table below.

Central Items 2010-11			
Central Items	2009-10 Budget £'000	Inflation £'000	2010-11 Budget £'000
SEN – Out of Borough	6,218	130	6,348
SEN & Specialist Support Services	2,050	43	2,093
Pupil Referral Unit	1,210	26	1,236
Admissions	692	15	707
Early Years	540	11	551
Other	4	0	4
Total	10,714	225	10,939

School Funding Formula Changes

19. The following issues have necessitated changes to the schools funding formula. These amendments have been approved by Schools Forum and will be subject to formal approval by Cabinet in February 2010.

- **Changes to the Age of Transfer** – The 2010/11 school budgets are being prepared to take account of the change to the age of transfer. The Schools Forum have developed transitional protection funding model to assist primary schools adversely affected by the change. Protection funding is limited to schools that have balances below the Audit Commission recommended maximum levels as at 31 March 2008. As this change is effective from September 2010 Schools Forum have agreed a methodology for calculating the part year effect on the 2010/11 school budgets.
- **Single Funding Formula for Nursery Pupils** - The DCSF issued notice that all authorities would be required to introduce a single funding formula for maintained, private, voluntary and independent nurseries from April 2010. A working group of key stakeholders was set up to develop the formula. The revised formula went out to consultation in September 2009 and was subsequently approved by Schools Forum. However in December 2009 the DCSF announced it is delaying the statutory implementation date as some authorities were experiencing difficulties in implementing the change. The DCSF have asked that authorities who wished to proceed with the original implementation date apply for pathfinder status. Schools Forum supports the application for pathfinder status as the proposed formula was supported by all key stakeholders and provides funding to support service priorities such as incentivising the employment of qualified leaders in the PVI sector.
- **Additional Class Funding** - The council is experiencing an actual and projected increase in pupil numbers largely due to an increase in the child population. In September 2009, in order to meet the demand for reception places, 5 schools ran additional reception classes above their planned numbers. Schools Forum agreed to revise the school funding formula to provide funding to schools to cover the cost of these

additional classes. It is anticipated that a similar number of additional reception classes will be required in September 2010, which will require additional in-year funding.

20. The minimum funding guarantee for 2010-11 is set at 2.1%, i.e. the minimum increase any school will receive is 2.1% per pupil. Due to the change in the age of transfer, the authority is requesting that the DCSF set aside the statutory minimum funding guarantee for schools losing funding from the change. The Age of Transfer protection funding model will provide transitional relief to schools facing significant budget reductions where they have balances below recommended levels.
21. The DCSF does not require budgets for 2011-12 and 2012-13 to be issued at this stage, as it has not yet concluded a review of DSG for those years. The review may result in a shift in resource allocation between councils. Despite the uncertainties, indicative budgets for 2011/12 and 2012/13 based on 1% growth in Dedicated Schools Grant are being prepared and will be distributed to schools by 31 March 2010.

Capital Programme

22. Planned capital investment in 2010-11 totals £46m including the following education projects:

- **Education modernisation £4.8m** - including the provision of sufficient modular teaching accommodation to enable the transfer of over 2050 Year 7 pupils to high schools
- **Catering in Schools £3.2m** – to improve the catering facilities in schools to provide school meals in accordance with the Government's food and nutritional standards and increase the take-up rate
- **Provision for pupils with Autistic Spectrum Disorder £0.56m** - provide specialist centres in mainstream primary and secondary schools to support the education of pupils with autistic spectrum disorders (ASD).
- **Whitmore High School £1.25m** – the school is being rebuilt under the government Building Schools for the Future programme (One school pathfinder). This corporate funding is to provide a range of enhanced community sport facilities and cultural areas at the new school.

Financial Implications

23. These are integral to the report.

Risk Management Implications

24. As part of the budget process the budget risk register will be reviewed and updated, and included in the report to February cabinet. This helps to test the robustness of the budget.

Corporate Priorities

25. The budget has been developed to enable the council to deliver on its agreed corporate priorities.

Section 3 - Statutory Officer Clearance

Name: Emma Stabler	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 7.01.2010		
Name: Sharon Clarke	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 11.1.2010		

Section 4 - Contact Details and Background Papers

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

Background Papers: Draft Revenue Budget 2010-11 to 2012-13, 17th
December 2009 Cabinet