

**REPORT FOR: EDUCATION  
CONSULTATIVE FORUM**

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**Date of Meeting:** 6 April 2011

**Subject:** INFORMATION REPORT -  
Revenue Budget 2011/12 to 2015/16

**Responsible Officer:** Catherine Doran, Corporate Director,  
Children's Services

**Exempt:** No

**Enclosures:** None

**Section 1 – Summary**

This report provides a summary of the Council's budget for 2011-12 to 2015-16, as approved by Council on 10 March 2011. The Education Consultative Forum is one of a series of meetings held with stakeholders to share information on the Council's budget.

**FOR INFORMATION**

## **Section 2 – Report**

### **Financial Context**

1. 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 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 entails significant reductions in funding
  - Harrow is still experiencing the effects of the recession – for instance the number of benefit claimants has increased from 16,600 to 19,500 from April 2008 to date, an increase of 17%.
  - Inflation is still running at over 4% which is putting added pressure on spending levels.
  - The demands on Children's and Adults services due to demographic growth, court decisions, new guidance and regulations, and increasing complexity of need are growing all the time.

### **Current Position – Council Funding**

#### Central Government Funding

2. The 2011/12 funding settlement was confirmed in December and incorporated into the final budget report approved by Council in March. The settlement was complicated due to changes in the funding received from numerous different grant streams. The settlement included a new non ring fenced Early Intervention Grant totalling £7.7m in 2011/12. This replaces a number of previous funding streams, including Surestart Grant, which totalled £9.5m in 2010/11. In addition a significant number of area based grants, especially in Children's Services, will cease completely from 2011/12.

#### Council Tax Strategy

3. At December Cabinet, the draft budget report recommended a zero council tax increase in 2011-12. The government is providing support which equates to a 2.5% increase to keep council tax levels down. The planned council tax increase thereafter is 2.5% per year.
4. The change in the budget requirement for 2011-12 can be summarised as follows:

	<b>£m</b>
Budget Requirement 2010-11	171.7
Capital financing costs and investment income	0.3
Reduction in area based grant and specific grants	8.5
Technical Changes (including concessionary fares)	2.1
Inflation	2.2
Investment in services	5.4
Transformation programme and other efficiencies	(14.7)
<b>Budget Requirement 2011-12</b>	<b>175.5</b>

### Children's Services

5. The Children's Services budget has been under considerable pressure in the last few years. The budget for 2011-12 includes growth of £1.3m to deal with both the underlying pressure and forecast demographic growth of 7% a year. There are still risks associated with the budget as the growth is building upon a very low base line. The Children's Directorate are clear that the strategy is to keep numbers low, quality of service high, and costs down. However, if children and young people need to come into care the Council has to be able to fulfil its statutory duties and has legal obligations to protect children in the community. There is a risk that, with the increased stress on families, and the withdrawal of Education Maintenance Allowance and other support systems for young people, the care population may increase. To recognise this risk the budget also includes a contingency.
6. The budget includes efficiencies from Children's Services totalling £2.5m. In response to changing national expectations and reduced grant funding the School Achievement and Inclusion service is being rationalised. Going forward school improvement initiatives will be delivered mainly through a Harrow Schools' Improvement Partnership whose work will be driven by the schools.
7. The youth service is introducing a range of initiatives that reconfigure the youth services provision and service level agreements to focus on key target groups generating efficiencies of £400k. In addition savings of £300k are being sought from a reduction in the contract for the universal Connexions service. The resulting youth service provision will be aligned to the proposed new operating model for Children's Services.

### **School Funding**

8. 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.

### **2011/12 Settlement**

9. The Department for Education (DfE) announced in December the school funding settlement for 2011/12. The per pupil DSG funding in 2011/12 has

been confirmed as £4,862, a cash freeze on 2010/11. The actual 2011/12 DSG is based on the January 2011 pupil level annual school census (Plasc) numbers, with the grant being finalised by DfE in the summer 2011. Schools were notified of their final 2011-12 budget, based on January pupil numbers in February 2011.

10. Currently schools receive funding from a complex range of grants. From 2011/12 the DfE have mainstreamed the majority of these grants into the Dedicated Schools Grant (DSG). All ring fencing or grant conditions previously attached to the income cease which gives schools more flexibility as to how they use their school budgets. The DfE translated the total 2010/11 funding from these grants into additional DSG per pupil of £674 for 2011/12, which is a cash freeze at 2010/11 levels. Based on the estimated pupil numbers it generates further DSG in 2011/12 of £20.4m.
11. A legal Minimum Funding Guarantee (MFG) is retained to provide some protection to school funding however it is a negative figure. The regulations state that no school will experience a reduction in their school budget greater than 1.5% per pupil, before the pupil premium is applied. This applies to both the Dedicated School Grants and the newly mainstreamed grants.
12. The estimated total Schools Budget in 2011/12, including the newly mainstreamed grants is £167.9m, which is a slight increase on 2010/11 due solely to the increase in pupil numbers. In addition due to a significant increase in pupils with English as an Additional Language the authority has qualified for Exceptional Circumstances Grant of £1.533m. The 2011/12 schools' budget was considered by Schools Forum who agreed that the following items be funded from headroom.

	<b>£'000</b>
Special School Growth	(449)
Age of Transfer Transitional Protection Funding	(293)
Growth in Out of Borough Special School Placements	(500)
Additional funding for ASD Units	(448)
Schools Specific Contingency	(1,270)

- Special School Growth - £449k has been allocated to fund the full year impact of the expansion of special school places that took place from September 2010.
- Age of Transfer Transitional Protection Funding - Based on initial projections it is estimated that £293k will be required to fund the age of transfer transitional protection funding in 2011/12.
- Additional Funding for ASD units - £448k has been allocated to fund the full year impact of the new ASD units at Priestmead, Alyward and Whitmore that took place during 2010/11.

- Growth in Out of Borough Special School Places - There has been increasing pressure on the special educational needs out of borough placements and growth of £500k has been allocated in 2011/12.

13. Any headroom available after funding the above is shared pro rata in sectors (i.e. Special Schools getting the appropriate share based on place factors not on pupil numbers).
14. School budgets in 2011/12 reflects the full year impact of the change to the age of transfer. This will result in a transfer of pupils and funding from the primary sector to secondary schools. The age of transfer protection funding model will provide transitional relief to schools facing significant budget reductions where they have balances below recommended levels.

#### Pupil Premium

15. Schools will receive a new pupil premium for 2011/12 for disadvantaged pupils. The premium for 2011/12 has been confirmed as £430 per eligible pupil and will be based on the number of pupils eligible for Free School Meals as recorded on the January 2011 census. Based on the free school meal numbers at January 2011, it would generate £2.4m of additional funding for Harrow schools.

#### Schools Specific Contingency

16. The schools specific contingency forms part of central items. The majority of the areas to be funded from contingency in 2011/12 have now been considered by Schools Forum and the details are shown below. The contingency includes trigger funding for the growth in pupil numbers expected from September 2011. The provision for new high value costed statements has also been increased to reflect actual levels of expenditure in recent years. The comprehensive spending review indicated that a legislative change will be introduced to allow penalties in respect of the Carbon Reduction Commitment scheme to be charged to the school budget.

<b>Description of Items</b>	<b>2011-12 Budget £'000</b>	<b>2010-11 Budget £'000</b>
Pupil & FSM trigger funding	500	500
SEN - New Statements	450	450
Krishna-Avanti interim funding	0	50
Autism in mainstream schools	0	232
Good to Outstanding	80	80
AST Co-ordinator	30	30
Leadership Development	30	30
Carbon Reduction Commitment	180	0
<b>Total</b>	<b>1,270</b>	<b>1,372</b>

#### Central Items

17. The budget for the central items within the Dedicated Schools Grant has been reviewed and consulted with Schools Forum. A cash freeze has

been applied to central items expenditure for 2011/12. However during 2010/11 there has been a significant pressure of the Special Educational Needs out of borough placements and growth of £500k has been agreed to meet these additional costs.

### **School Budgets 2012/13 onwards**

18. The DfE has indicated that there will be a continued cash freeze in school budgets however they have not confirmed any funding details for future years.

### **Changes to the School Formula Funding**

19. The changes to school funding announced in the 2011/12 funding settlement has necessitated changes to Harrow schools funding formula. Schools Forum agreed to allocate the grants mainstreamed into the DSG on the same basis as 2010/11 apart from a few agreed exceptions.

20. Given the cash freeze in funding, coupled with the growth in pupil numbers and pupils with special educational needs, it has been challenging to set a balanced budget. To manage the pressures Schools Forum have agreed a reduction the hourly rate used to calculate high value costed statements and will be considering changes to the trigger funding to be allocated in year from contingency.

## **Section 3 – Further Information**

### **Risk Management Implications**

21. As part of the budget process the budget risk register was reviewed and updated, and included in the report to February Cabinet. This helps to test the robustness of the budget.

## **Section 4 – Financial Implications**

22. These are integral to the report.

## **Section 5 – Corporate Priorities**

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

24. 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 are:

- Keeping neighbourhoods clean, green and safe
- United and involved communities: a Council that listens and leads
- Supporting and protecting people who are most in need
- Supporting our town centre, our local shopping centres and businesses

Name:	Emma Stabler	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date:	24 March 2011		

## **Section 6 - Contact Details and Background Papers**

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

**Background Papers:** Revenue Budget 2010-11 to 2012-13, 10th March  
2011 Council