



**CENTRAL SOUTH CONSORTIUM
REPORT FOR JOINT COMMITTEE**

15TH MARCH 2018

JOINT EDUCATION SERVICE

**REPORT OF THE TREASURER – 2017/18 BUDGET MONITORING UP DATE
AND MEDIUM TERM FINANCIAL FORECAST (2018/19 – 2020/21)**

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1. PURPOSE OF REPORT

- 1.1 To provide Members with an update of the projected revenue outturn position for 2017/18.
- 1.2 To provide Members with a summary of 2017/18 grant funding.
- 1.3 To provide Members with a medium term financial forecast covering the period 2018/19 to 2020/21.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the projected revenue outturn position for 2017/18 and approve an earmark reserve at year-end to support the remodelling of the service over the medium term (paragraph 3.3).
- 2.2 Note the current grant position for 2017/18.
- 2.3 Note the medium term financial forecast covering financial years 2018/19 to 2020/21.
- 2.4 Approve the proposed approach for funding redundancy costs and instruct the Host Authority's Chief Finance Officer to liaise with member local authorities to agree this approach (paragraphs 5.10 and 5.11).

3. **BUDGET MONITORING 2017/18**

3.1 A summary of the 2017/18 projected outturn position is set out in Table 1 below.

Table 1 – Projected Outturn Position 2017/18

Category	Revised Budget 2017/18 £	Projected Out-turn 2017/18 £	Variance (Under)/ Over £
Expenditure			
Employees	3,370,745	3,276,613	(94,132)
Premises			
Rent	270,000	270,000	0
Utilities	49,200	51,250	2,050
Non-Domestic Rates	164,025	126,701	(37,324)
Maintenance	25,400	20,186	(5,214)
Other	30,850	27,350	(3,500)
Total Premises Cost	539,475	495,487	(43,988)
Transport	25,000	25,464	464
Supplies & Services			
Continuing Professional Development / Staff Adverts	41,795	24,639	(17,156)
Licences / Mobile & Telephone Charges/ Computer Costs – Hardware / Software	142,290	141,818	(472)
Photocopying / Postage / Advertising / Stationery / General Office Expenses	46,290	23,221	(23,069)
External Audit & Actuary Fee, Employer's Liability & Public Liability Insurance	54,750	53,499	(1,251)
Managed Program Support Costs	1,000	(5,408)	(6,408)
Restaurant Provisions	31,150	40,097	8,947
Governor Training	8,000	0	(8,000)
Induction Program Elected Members, Partnership Framework Development	10,000	3,000	(7,000)
Total Supplies & Services	335,275	280,866	(54,409)
Repayment of Redundancy Costs	100,000	262,179	162,179
Support Services	122,241	119,741	(2,500)

Table 1 (continued) - Projected Outturn Position 2017/18

Category	Revised Budget 2017/18 £	Projected Out-turn 2017/18 £	Variance (Under)/ Over £
Gross Expenditure	4,492,736	4,460,350	(32,386)
Income			
Local Authority Contributions	3,985,879	3,985,879	0
Ty Dysgu Income	407,020	465,429	(58,409)
Grants & Other Income	99,837	141,968	(42,131)
Total Income	4,492,736	4,593,276	(100,540)
Net Expenditure	0	(132,926)	(132,926)

3.2 Key variances within the projected outturn position (Table 1) include:

- Employees – (£94k projected underspend) - due to vacancy savings within the Business Support Team and taking further opportunities to transfer eligible staff core costs to the Education Improvement Grant (EIG) and also to additional in-year grant funding received to optimise the use of external funding.
- Premises (£44k projected underspend) - this is mainly due to the revaluation of Ty Dysgu (by the Valuation Office Agency) resulting in a reduction in Non Domestic Rates.
- Supplies and Services (£54k projected underspend) – the projected underspend is due to the re-prioritising of expenditure requirements and the transfer of eligible costs to the EIG.
- Repayment of Redundancy costs (£162k projected overspend) - approved redundancy costs, funded in year, to continue to ensure the structure of the service aligns to current and future business needs. Members will note the estimated expenditure reported to the 5th December 2017 Joint Committee meeting has been up dated to reflect actual costs and has resulted in a reduction in the projected overspend (projected overspend of £211k reported in December 2017).
- Income – the overall income position is projecting a higher than anticipated level of income to be received (i.e. projected to be £100k higher than budgeted). Key variances within this position include:
 - Higher than budgeted income projected to be received in respect of the Conference Centre / Restaurant (£58k); and

- o Additional income generated above that budgeted in respect of the secondment of a Challenge Advisor and also additional Foundation Phase / Welsh Medium charter work undertaken by Challenge Advisors (£42k).

3.3 Members will recall the 2018/19 Revenue Budget approved by Joint Committee on 5th December 2017 was based upon a programme of work to remodel the Service that will commence in the forthcoming year and continue into future years. To support this medium term plan and enable the transition to be managed within existing resources, the Joint Committee is requested to consider approving an earmark reserve amounting to £130k to help smooth the delivery of budget savings over a number of years while still allowing for the annual delivery of balanced budgets. If supported, the earmark reserve funding would be sourced from the current projected underspend position of £133k and would be in addition to the general reserve balance that stood at £129k as at 31st March 2017.

4. GRANT FUNDED SERVICE 2017/18

4.1 The Consortium has received the following grant allocations for 2017/18 from Welsh Government, as set out in Table 2.

Table 2 – 2017/18 grant allocations and projected outturns

Grant	Grant Award 2017/18 £	Projected Out-turn 2017/18 £	Variance (Under)/ Over £	Comment
Education Improvement Grant for Schools (EIG)				
Centrally retained salaries and support cost	1,973,022	1,728,846	(244,176)	Underspends within 'Centrally retained salaries and support costs' due to effective management of vacant positions and transfer of eligible costs to RSSG in order to maximise the use of grant.
Funding for specific circumstances	3,587,467	3,829,588	242,121	
Delegated: Local Authority	5,131,273	5,131,273	0	
Delegated Schools	34,985,733	34,985,733	0	The one-off savings have been utilised as 'Funding for specific circumstances' to fund further eligible project work (including the transfer of eligible salary costs from core budget).
TOTAL EIG (including match funding of £3,061,582)	45,677,495	45,675,440	(2,055)	

Table 2 (continued) – 2017/18 grant allocations and projected outturn

Grant	Grant Award 2017/18 £	Projected Out-turn 2017/18 £	Variance (Under)/ Over £	Comment
Pupil Development Grant (PDG)	30,517,400	30,517,400	0	Includes additional grant funding for the role of PDG Advisor
Learning in Digital Wales Program	150,462	150,462	0	
Yr2-6 National Numerical Reasoning Tests 2016	5,000	5,000	0	
Advisory team on Delivery of FP Nursery Provision for 3-4 year olds	3,784	3,784	0	
Pioneer Network, Professional Learning & Curriculum Design				
Criteria 1	1,260,000	1,260,000	0	
Criteria 2	556,250	556,250	0	
Criteria 3	150,000	150,000	0	
Criteria 4	25,000	25,000	0	
TOTAL	1,991,250	1,991,250	0	
(Children & Young People) Welsh Language Charter	77,800	77,800	0	Academic year grant (September 2017 to August 2018)
South Wales Valley Project	52,500	52,500	0	Academic year grant (September 2016 to August 2017)
Raising School Standards Grant (RSSG)				
Curriculum & Assessment	290,728	292,367	1,639	
Pedagogy	1,522,493	1,522,251	(242)	
Self Improving System	488,989	487,490	(1,499)	
Mentoring & Network Support	37,500	37,500	0	
Future Leadership	479,701	474,047	(5,654)	
Research & Evaluation	60,000	60,000	0	
TOTAL	2,879,411	2,873,655	(5,756)	
Schools Cymru Challenge	78,945	78,945	0	
Total	81,434,047	81,426,236	(7,811)	

- 4.2 The Central South Consortium has received additional grant funding in year for specific initiatives and has continued to effectively manage this resource, alongside the core budget, to support its strategic priorities.
- 4.3 The Consortium will continue to carefully monitor expenditure through to year-end to ensure the use and effectiveness of grants is maximised across the region.

5. MEDIUM TERM FINANCIAL PLANNING (CORE REVENUE BUDGET)

- 5.1 As part of the Central South Consortium’s robust approach to financial and service management, arrangements are being developed to enable core revenue budget financial projections to be modelled alongside three year business planning.
- 5.2 The approach of planning over the medium term is seen as good practice in supporting an organisation’s resilience and financial sustainability, and informing future service delivery options. The development of this approach is also deemed to be crucial in view of on-going national forecasts pointing to a continuation of public sector austerity for a number of years to come.
- 5.3 With the above in mind, the Consortium has compiled its first medium term financial forecast that forward projects the core budget financial position of the organisation over a three year planning period (i.e. the approved 2018/19 budget plus forecasts for the 2019/20 and 2020/21 financial years). Key assumptions used in the construction of the forecast are set out below and Members will note that all assumptions will be subject to review and refinement on an on-going basis.

Funding level assumptions

- 5.4 The estimated member local authority contribution levels are set out in Table 3.

Table 3 – Estimated member local authority contribution levels

Financial Year	Contribution Levels
2018/19	-2% ¹
2019/20	-3%
2020/21	-3%

- 5.5 The Consortium receives its core funding from the five member local authorities each year. The estimated contribution levels have been

¹ 2018/19 Contribution Levels (-2%) – approved as per the Budget Update Report reported to the Joint Committee on the 5th December 2017

informed further to discussions with the Chief Executives of the five authorities, taking into account the likely reductions in Revenue Support Grant funding and continued pressures on services.

Expenditure assumptions

5.6 The following expenditure assumptions have been made:

- Employee Budgets
 - A remodelled staffing establishment as set out in the 2018/19 budget proposals agreed by the Joint Committee on 5th December 2017 – part year savings are included in 2018/19 and full year savings have been reflected within 2019/20 and 2020/21 of the forecast;
 - An estimated pay award of 2% for financial years 2019/20 and 2020/21, effective in each year from 1st April for APT&C positions and 1st September for Soulbury positions;
 - The latest Pension Fund Revaluation (2016) set pension contribution rates for financial years 2017/18, 2018/19 and 2019/20. The expenditure forecast has been set in line with the agreed rates, with the rate for 2020/21 being maintained at the 2019/20 level;
 - The continued treatment of wholly / partly funding specific eligible positions from approved external grant funding streams; and
 - The continuation of a £100k annual budget to contribute to repaying the outstanding redundancy cost balance.

- Non-employee budgets
 - The latest Bank of England Inflation Report (February 2018) forecasted the Consumer Prices Index inflation to be +2.3% in 2019 and +2.2% in 2020. These forecasted rates have been applied to appropriate non-pay budgets for financial years 2019/20 and 2020/21; and
 - Premises budgets - remodelled premises budgets, in line with the agreed 2018/19 budget, reflecting the relocation to more cost effective accommodation (that includes utility and Non-Domestic Rate costs) - part year savings are included in 2018/19 and full year savings have been reflected within 2019/20 and 2020/21 of the forecast.

- Income budgets
 - Remodelled income budgets, in line with the agreed 2018/19 budget, to account for there being no conference centre facilities at the accommodation to be occupied from 2018/19 – the part year effect of adjusted income budgets are included in 2018/19 and full year adjustments reflected within 2019/20 and 2020/21 of the forecast.

Summary of forecasted funding level assumptions and forecasted expenditure assumptions (2018/19 to 2020/21)

- 5.7 The impact of the above assumptions is included in Table 4 and sets out the forecasted budget position for financial years 2018/19 to 2020/21. The forecast shows a projected budget gap which needs to be addressed during the period. Notwithstanding this, the Consortium must be mindful of the requirement, as contained within the School Improvement Service Legal Agreement (from hereon Legal Agreement), to set a balanced budget annually and for this to be reported to and approved by Joint Committee no later than 31st December prior to the start of the following financial year.

Table 4 – Forecasted expenditure requirements and forecasted funding levels available (2018/19 to 2020/21)

	2018/19 (£k)	2019/20 (£k)	2020/21 (£k)
Base Budget	4,129	4,129	3,835
Less the part year effect of the previous year's Budget Strategy	0	(309)	0
Revised Base Budget	4,129	3,820	3,835
Pay inflation	Built into the above 'Base Budget' position	45	54
Non-pay inflation		13	13
Budget Requirement	4,129	3,878	3,902
Resources			
Member local authority contribution levels	3,906	3,789	3,675
Other Income	223	46	47
Total Resources Available	4,129	3,835	3,722
Budget Gap	0	43	180

Cumulative Budget Gap	223
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Sensitivity Analysis

- 5.8 A significant determinant on the budget gap is the level of contributions the Consortium will receive from member local authorities. To understand the potential impact of changes in this area, Table 5 sets out for illustrative purposes a range of potential funding levels and the resultant budget gap.

Table 5 – Range of potential funding levels

Budget Gap sensitivity analysis	2018/19 (£k)	2019/20 (£k)	2020/21 (£k)
Forecasted Budget Gap at -3% contribution levels per annum (modelled)	0	43	180
Forecasted Budget Gap at -2% contribution levels per annum	0	4	143
Forecasted Budget Gap at -1% contribution levels per annum	0	(35)	105

Balancing the Budget

- 5.9 Plans are in the process of being compiled to balance the projected budget gap (Table 4) over the medium term, with the underlying aim of identifying the required savings through 'efficiency' to protect, as far as possible, frontline service provision.
- 5.10 In parallel with the on-going work to balance the budget, the Chief Executives of the five member local authorities have proposed an alternative approach, in line with the Legal Agreement, to fund the balance of outstanding redundancy costs incurred in previous financial years and also future redundancy costs should they arise. It is proposed that such costs are funded by member local authorities thereby enabling the Consortium's budget to be reduced by £100k and also contribute to reductions in member local authority contribution levels. The outstanding balance of redundancy costs, as at 1st April 2019², is included in Table 6 and has been allocated to member local authorities on the basis set out in the Legal Agreement.

Table 6 – Allocation of redundancy costs

Member Local Authority	Allocation Basis (2018/19 Indicator Based Assessments)	'Outstanding' Redundancy Cost Balance (£k)
Bridgend	15.51%	114
Cardiff	36.19%	267
Merthyr Tydfil	6.31%	47
Rhondda Cynon Taf	27.29%	201
Vale of Glamorgan	14.70%	108
Total		737

² 1st April 2019 – the Central South Consortium's 2018/19 Revenue Budget, approved by Joint Committee on 5th December 2017, includes a budget to contribute to the repayment of the outstanding redundancy cost balance

- 5.11 Should the Joint Committee be supportive of this approach, it is recommended that the Host Authority's Chief Finance Officer engages with other member local authorities to seek agreement for the above costs to be built into their medium term financial planning arrangements from 2019/20 onwards and that an update is provided to the next Joint Committee meeting. It is further proposed that future approved redundancy costs, should they arise, be funded via the same approach i.e. by the five member local authorities.

Specific Grants

- 5.12 The Central South Consortium recognises that important part specific grants play in supporting the delivering of the majority of its priorities. From a core budget financial planning perspective, due to grant funding levels and periods of funding being outside of the control of the Consortium, the medium term financial forecast has not covered this area. The Consortium will however continue to work closely with all grant funding bodies with the aim of influencing all Wales grant funding strategies and taking maximum advantage of funding available.

6. CONCLUSIONS

- 6.1 The Service is currently projecting the delivery of a balanced budget for 2017/18.
- 6.2 The 2017/18 Grants Register has been updated and is being regularly reviewed to ensure that the use of external funding is maximised for the benefit of the schools and local authorities within the Consortium area.
- 6.3 The Consortium's first medium term financial forecast (2018/19 to 2020/21) sets out a challenging financial position over this period. Work is underway to identify the actions that are necessary to deliver balanced budgets over the medium term in parallel with supporting the delivery of the Consortium's strategic priorities.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

15th MARCH 2018

CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE

List of background papers

Freestanding matter

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