



## AGENDA ITEM 8

### CENTRAL SOUTH CONSORTIUM REPORT FOR JOINT COMMITTEE

5<sup>TH</sup> JUNE 2014

#### JOINT EDUCATION SERVICE

#### DRAFT FINANCIAL OUTTURN REPORT TO 31<sup>ST</sup> MARCH 2014 & REVENUE BUDGET 2014/15

#### REPORT OF THE TREASURER

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#### 1. PURPOSE OF REPORT

- 1.1 To provide Members with a summary of the financial performance of the Central South Consortium Joint Committee for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014.
- 1.2 To seek the Joint Committee's approval of the 2014/15 revenue budget.

#### 2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the draft outturn for the Central South Consortium School Improvement Service (CSC SIS); Athrawon Bro and the Learning & Innovation Network for Schools (CSC LINKS).
- 2.2 Note and approve the budget for 2014/15 in order for home Councils to approve it as appropriate and to confirm back at the next meeting of the Joint Committee.

#### 3. BACKGROUND

- 3.1 On 31<sup>st</sup> October 2012 the Joint Committee was presented with proposed budgets for 2013/14 for CSC SIS and CSC LINKS, which were subsequently approved by the constituent Authorities. A summary of the

draft financial position to the end of the 2013/14 financial year is presented here for information.

- 3.2 The host authority will now work with the Consortium to finalise the year-end position and to complete the statutory statement of accounts prior to audit by the Wales Audit Office. The final audited accounts will be presented to the Joint Committee prior to the 30<sup>th</sup> September 2014.
- 3.3 Under the terms of the consortium legal agreement the Joint Committee is required to approve its budget by the 31<sup>st</sup> December for the following financial year. Due to the extent of the changes being made to the service as a result of the publication the Welsh Government's 'National Model for Regional Working', and the timescales for the production of the consortium business plan, this has not been possible for 2014/15.
- 3.4 The business plan was submitted to the Welsh Government at the end of March 2014 and the proposed budget for the service is provided in this report for consideration.

#### 4. DRAFT OUT-TURN POSITION 2013/14

##### SCHOOL IMPROVEMENT SERVICE

Category	Revised Budget 2013/14 £	Draft Out-turn 2013/14 £	Variance (Under)/ Over £
<b>Expenditure</b>			
Employees	3,475,523	3,182,650	(292,873)
Premises	216,450	189,245	(27,205)
Transport	65,303	47,969	(17,334)
Supplies & Services	114,681	212,645	97,964
Commissioning (Additional support for schools)	600,000	666,642	66,642
Support Services	83,000	49,175	(33,825)
<b>Gross Expenditure</b>	<b>4,554,957</b>	<b>4,348,326</b>	<b>(206,631)</b>
<b>Income</b>			
Bridgend	693,359	693,359	0
Cardiff	1,525,297	1,525,297	0
Merthyr Tydfil	295,094	295,094	0
Rhondda Cynon Taf	1,250,876	1,250,876	0
Vale of Glamorgan	651,860	651,860	0
Grant Income	138,471	105,556	32,915
Other	0	4,972	(4,972)
<b>Total Income</b>	<b>4,554,957</b>	<b>4,527,014</b>	<b>27,943</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>(178,688)</b>	<b>(178,688)</b>

#### 4.1 Reasons for the variances Include:

- Employees – The budget was prepared based on the estimated resource requirements identified in the original PWC business case. The service has managed its staffing based on the actual requirements during the year. Changes to the forecast from the February Joint Committee report include:
  - A review of the forecasts for agency and seconded staff was carried out and the actual number of days support required was amended.
  - The part-year costs of one staff member have been charged to a grant cost centre to reflect the work carried out.
- Premises – Reduced rental charge for Ty Dysgu.
- Transport – Costs lower than anticipated.
- Supplies & Services – Additional purchase of equipment, the development of a new consortium website and staff advertising costs were not budgeted for in the year.
- Support Services – Some costs included within the original SLA were paid directly by the consortium and are included within Supplies & Services.
- Commissioning – Additional costs incurred on specific school improvement packages. See table below for full breakdown.
- Income – Grant claimed for actual costs incurred.

4.2 The expenditure on the commissioning budget during the year was as follows:

<b>Description</b>	<b>Draft Outturn £</b>
Leadership Support	
- ISOS Consultants	74,608
- Specialist Consultant	18,835
Development of the CSC Portal	
- Software Development	29,560
- Development Costs – Staffing	18,096
Commissioning Projects	
- Education London	76,415
- Level 2 Inclusive	16,800
- Aspire Pathfinder	28,738
- ICT Hwb Strategy	43,019
- Outstanding Teacher Programme	26,313
- Improving Teacher Programme	30,652
- Achievement for All	22,379
- Additional Specialist Support	50,973
- Regional Leaders of Education	23,072
- Commissioning in C&D Schools	84,550
- Assessment Review	6,435
- Support for ESDGC Learning Forum	1,500
Partnership Development	
- Literacy & Numeracy Strategy	10,165
- Excellence in Teaching Event	20,932
- CSC Headteachers Conference	6,523
- Excellence in Maths Teaching Network	10,047
- Support for Welsh Medium Schools	8,682
Secondment of Head of Service	32,438
Directors Executive Support	19,806
Consultant Support	6,104
<b>Total</b>	<b>666,642</b>

### WELSH IN EDUCATION GRANT

<b>Category</b>	<b>Revised Budget 2013/14 £</b>	<b>Draft Out-turn 2013/14 £</b>	<b>Variance (Under)/ Over £</b>
<b>Expenditure</b>			
Employees	875,726	853,889	(21,837)
Premises	45,914	39,518	(6,396)
Transport	25,116	24,366	(750)
Supplies & Services	44,105	140,455	96,350
Support Services	31,922	18,914	(13,008)
<b>Gross Expenditure</b>	<b>1,022,783</b>	<b>1,077,142</b>	<b>(54,359)</b>
<b>Income</b>			
Bridgend	150,014	150,014	0
Cardiff	367,209	367,209	0
Merthyr Tydfil	71,503	71,503	0
Rhondda Cynon Taf	289,972	289,972	0
Vale of Glamorgan	144,085	144,085	0
Additional Grant	0	54,359	54,359
<b>Total Income</b>	<b>1,022,783</b>	<b>1,077,142</b>	<b>0</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 4.3 Reasons for the variances Include:

- Employees – Vacant posts during the year, partly offset by external support costs within Supplies & Services. Further support has been provided through the LiNKS service, funded by the underspend on the delegated WEG grant.
- Premises - Reduced rental charge for Ty Dysgu.
- Supplies & Services – The service used external consultants and secondments from schools to cover vacant posts.
- Income - Additional grant from the underspend on the delegated WEG grant.

## **LEARNING & INNOVATION NETWORK FOR SCHOOLS**

<b>Category</b>	<b>Revised Budget 2013/14 £</b>	<b>Draft Out-turn 2013/14 £</b>
<b>Expenditure</b>		
Employees	1,369,990	1,403,401
Premises	393,545	340,976
Transport	35,163	15,033
Supplies & Services	154,475	253,494
Commissioning ***	674,631	274,405
Specialist Support	80,000	80,000
Support Services	44,691	22,697
<b>Gross Expenditure</b>	<b>2,752,495</b>	<b>2,390,006</b>
<b>Income</b>		
Restaurant & External Use of Building	399,500	373,928
School Income	2,245,974	1,149,653
Other Income & Managed Programmes	0	494,079
School Improvement Service	200,000	218,258
<b>Total Income</b>	<b>2,845,474</b>	<b>2,235,918</b>
<b>(Surplus)/Deficit</b>	<b>(92,979)</b>	<b>154,088</b>

\*\*\* The Commissioning budget provides flexibility to resource to service demand levels as the service grows, with the potential for full-time appointments to be made once income levels are determined.

#### 4.4 Reasons for the Variances Include:

- Employees – A temporary appointment of a maths specialist to deliver a particular intervention package in schools.
- Premises - Reduced rental charge for Ty Dysgu.
- Transport – Costs lower than anticipated.
- Support Services – Some costs included within the original SLA were paid directly by the consortium and are included within Supplies & Services.
- Commissioning –The use of external support for specific programmes has been significantly higher than anticipated and there has been a failure to sell sufficient services to offset the additional costs. Weaknesses in the control systems linking expenditure and income were identified and improvements have since been implemented. Management action to limit expenditure across the service over the past few months has mitigated a larger overspend.
- Income – A number of income-generating projects have been deferred into the new financial year, reducing the forecast given in the February Joint Committee report.

- 4.5 An analysis of the school income on an authority basis is provided below for information:

<b>Authority</b>	<b>Full Year Income £</b>
Cardiff	353,800
Bridgend	209,484
Merthyr Tydfil	103,627
Rhondda Cynon Taf	361,084
Vale of Glamorgan	121,658
<b>Total</b>	<b>1,149,653</b>

## **5. GENERAL RESERVES POSITION**

- 5.1 Under the terms of the draft CSC legal agreements the Joint Committee is required to decide upon the treatment of any surplus or deficit balance held by the Joint Education Service following the completion of the audit of the accounts.
- 5.2 Based on the draft out-turn positions detailed above the value of general reserves held by the consortium as at the 31<sup>st</sup> March 2014 is as follows:

	<b>SIS £'000</b>	<b>LiNKS £'000</b>	<b>Total £'000</b>
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>371</b>	<b>138</b>	<b>509</b>
Draft Out-turn 2013/14	179	(154)	25
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>550</b>	<b>(16)</b>	<b>534</b>

- 5.3 The S151 Officers of each constituent authority recently met and discussed the options for the use of the general reserves. Following the audit of the 2013/14 accounts recommendations on the use of the reserves will be made to the Joint Committee.

## **6. 2014/15 REVENUE BUDGET**

- 6.1 Following the publication of the draft 'National Model for Regional Working' in September 2013 the consortium has worked to produce a Business Plan for submission to the Welsh Government. This plan introduced fundamental changes to the operating model of the consortium and required a significant employee restructure. This business plan was reported to and agreed at the Joint Committee on the 25<sup>th</sup> March 2014, and was subsequently submitted to the Welsh Government.
- 6.2 A proposed budget for 2014/15 was prepared as part of the above process and this has been refined to reflect the requirements of the service. Whilst clearly out of alignment with the normal budget setting timescales,

Directors of Education (or equivalents) have been fully engaged in the Business Plan process.

6.3 The following items have been considered when calculating the resource requirements of the service for 2014/15:

- The employee budget is based on the current structure until the 31<sup>st</sup> August and the new structure effective 1<sup>st</sup> September, adjusted for known changes.
- It is proposed that an element of the redundancy costs resulting from the restructure are phased and charged to the consortium over a number of years. An estimate of £100k has been included in the budget. The actual annual contribution charged will be calculated on completion of the restructure process.
- A commissioning budget of £357k has been included based on costs committed for the summer term and a £142k income budget has been included in respect of courses which have been booked through the Managed Program. These will be subject to ongoing monitoring and may be reviewed, subject to the necessary approval.
- All other non-pay budgets are based on the 2013/14 position adjusted for known changes.
- Contributions from the constituent Local Authorities remain at the 2013/14 levels. As part of the WLGA approval of the national model local authority contributions to the Central South Consortium totalling £5.471m were agreed, an additional £1.055m over the proposed 2014/15 budget. Further work is required to identify the scope of additional services to be brought into the consortium and the required local authority contributions from 2015/16. There is an expectation by the Welsh Government that contributions will be in line with the national model.
- The external income has been reduced due to the LiNKS disbandment and the reduction in available floor space for external room hire.
- A £142k income budget has been included within the Core Service in respect of courses which have been booked through the Managed Program and income committed to date.
- Grant income has been included at levels notified by the awarding bodies. A £1.6m expenditure budget has been included within the grant funded service for SEG interventions and SIGs.

6.4 The 2014/15 Budget has been split into two areas; Core Budget and Grant Funded Service areas. The proposed budget heads are as follows:

<b>Category</b>	<b>Core Budget</b>	<b>Grant Funded Service</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Employees	3,651,525	3,115,822	6,767,347
Premises	501,229	34,971	536,200
Transport	95,116	15,000	110,116
Supplies & Services	315,782	1,630,523	1,946,305
Repayment of Redundancy Costs	100,000	0	100,000
Commissioning	357,102	0	357,102
SLA's	83,078	31,922	115,000
<b>Gross Expenditure</b>	<b>5,103,832</b>	<b>4,828,238</b>	<b>9,932,070</b>
<b>Income</b>			
LA Contributions	4,416,486	0	4,416,486
Income TY Dysgu	280,000	0	280,000
Managed Program	142,146	0	142,146
WEG/NQT Income	235,200	0	235,200
Match Funding	0	647,820	647,820
Grant	30,000	4,180,418	4,210,418
<b>Total Income</b>	<b>5,103,832</b>	<b>4,828,238</b>	<b>9,932,070</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

6.5 In line with the legal agreement, contributions from the constituent Local Authorities is to be based on the 2014/15 IBA and the proposed apportionment is as follows:

<b>Authority</b>	<b>14/15 IBA '000</b>	<b>Allocation %</b>	<b>Cont. £</b>
Bridgend	83,959	15.76	695,832
Cardiff	187,059	35.10	1,550,296
Merthyr Tydfil	34,869	6.54	288,988
Rhondda Cynon Taf	148,347	27.84	1,229,466
Vale of Glamorgan	78,659	14.76	651,904
<b>Total</b>	<b>532,893</b>	<b>100</b>	<b>4,416,486</b>

## **7. CONCLUSION**

- 7.1 This report presents the draft out-turn position for the joint Committee. The formal statutory accounts will now be prepared prior to submission to the Wales Audit Office. In line with the statutory requirements the audited accounts will be presented to the Joint Committee before the end of September 2014.
- 7.2 The 2014/15 proposed budget for the CSC has now been prepared. Under the terms of the CSC legal agreements the Joint Committee is now requested to approve the 2014/15 budget prior to submission to the consortium authorities.

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE**

**List of background papers**

Self-standing report of Treasurer

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