



**CENTRAL SOUTH CONSORTIUM
REPORT FOR JOINT COMMITTEE**

8TH DECEMBER 2016

JOINT EDUCATION SERVICE

**REPORT OF THE TREASURER – 2016/17 BUDGET MONITORING UPDATE
AND 2017/18 BUDGET SETTING PROCESS**

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1. PURPOSE OF REPORT

- 1.1 To provide Members with an update of the projected revenue outturn position for 2016/17.
- 1.2 To provide Members with a summary of 2016/17 grant funding.
- 1.3 To seek the Joint Committee's approval of the 2017/18 revenue budget.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the projected revenue outturn position for 2016/17.
- 2.2 Note the current grant position for 2016/17 and endorse the approach for the Consortium to align external funding over the medium term to support priority areas.
- 2.3 Note and approve the budget for 2017/18 in order for the home Councils to approve, as appropriate, and to confirm back to the next meeting of the Joint Committee.

3. **BUDGET MONITORING 2016/17**

- 3.1 A summary of the 2016/17 projected revenue outturn position is set out in Table 1 below.

Table 1 – Projected revenue outturn position 2016/17

Category	Revised Budget 2016/17 £	Projected Out-turn (as at November 2016) 2016/17 £	Variance (Under)/ Over spend £
Expenditure			
Employees	3,502,145	3,604,453	102,308
Premises			
Rent	270,000	270,000	0
Utilities	55,494	50,019	(5,475)
NNDR	165,000	164,025	(975)
Maintenance	31,000	30,346	(654)
Other	29,250	28,387	(863)
Total Premises Cost	550,744	542,777	(7,967)
Transport	40,000	28,000	(12,000)
Supplies & Services			
CPD/Staff Adverts	40,000	45,956	5,956
Licences/Mobile & Telephone Charges/ Computer Costs – Hardware/Software	112,000	121,291	9,291
Photocopying / Postage / Advertising / Stationery/General Office Expenses	38,618	48,423	9,805
External Audit & Actuary Fee, EL & PL Insurance	55,000	55,000	0
Managed Program Support Costs	50,000	44,142	(5,858)
Restaurant Provisions	51,000	35,471	(15,529)
Governor Training	14,000	14,000	0
Training for Scrutiny	5,000	0	(5,000)
Total Supplies & Services	365,618	364,283	(1,335)
Repayment of Redundancy Costs	100,000	100,000	0

Category	Revised Budget 2016/17 £	Projected Out-turn (as at November 2016) 2016/17 £	Variance (Under)/ Over spend £
Commissioning (Additional support for schools)			
Ipsos Mori	10,000	0	(10,000)
LA Annex	86,455	30,945	(55,510)
Teacher Assessment	5,000	0	(5,000)
Cardiff University Research	10,000	0	(10,000)
Parliamentary Review	2,600	2,600	0
Prior Year Reserve adjustment	0	(200)	(200)
Total Commissioning	114,055	33,345	(80,710)
Support Services	126,100	126,100	0
Gross Expenditure	4,798,662	4,798,958	296
Income			
Local Authority Contributions	4,195,662	4,195,662	0
Ty Dysgu Income	400,000	374,421	25,579
Grants & Other Income	203,000	231,497	(28,497)
Total Income	4,798,662	4,801,580	(2,918)
Net Expenditure	0	(2,622)	(2,622)

3.2 Members will recall at the 29th September 2016 Joint Committee meeting the full year revenue position was projected to be £51k overspent and were informed a review of all areas within the service was underway to bring expenditure back in line with the approved budget. The outcome of this exercise has been completed, as set out in Table 1 above, and shows an up dated full year projected outturn position of £2k surplus.

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

- Employees (£102k projected overspend) – this is due to higher than anticipated expenditure on school improvement service salary costs where staffing appointments have been required at levels above the amounts budgeted. This position has been partly off-set by vacancy savings within Business Support and the transfer of eligible staff costs to the Education Improvement Grant (EIG) to optimise the use of external funding. This area will continue to be closely monitored through to year-end in parallel with reviewing the level of on-going Challenge Advisor support needed as a result of final school categorisations;

- Transport (£12k projected underspend) - as a result of more staff being employed on a 'daily inclusive rate' that covers travel costs and as such this is having the affect of reducing the amount of travelling expenses being claimed;
- Commissioning (£80k projected underspend) – the projected underspend is due to the re-prioritising of expenditure requirements across this area;
- Income – although the overall income position is projecting a slightly higher level of income to be received compared to budget (i.e. £2,918), key variances within this position include:
 - Conference Centre (£25k projected loss of income) – as a result of the higher income target set for 2016/17 not anticipated to be achieved. The Conference Centre will continue to market the building to maximise usage and address the projected loss of income; and
 - School / Grant Income (additional unbudgeted income of £28k) in respect of additional Literacy and Numeracy intervention support received from the Literacy and Numeracy Central Team.

GRANT FUNDED SERVICE 2016/17

3.4 The Consortium has received the following grant allocations for 2016-17 from Welsh Government and Qualification Wales, as set out in Table 2 below.

Table 2 – 2016/17 grant allocations and projected outturns

Grant	Grant Award 2016/17 £	Projected Out-turn 2016/17 £	Variance (Under)/ Over £	Comment
Education Improvement Grant for Schools (EIG)	44,550,387 (including match funding)			Includes the transfer of eligible core staff costs to the EIG. Also, awaiting additional funding notification from Welsh Government to further support specific activities / projects in 2016/17 (subject to consideration /
Centrally retained salaries and support cost	2,212,117	2,377,956	165,839	
Funding for specific circumstances	2,280,934	2,174,238	-106,696	

Grant	Grant Award 2016/17 £	Projected Out-turn 2016/17 £	Variance (Under)/ Over £	Comment
Delegated: Local Authority Delegated Schools	5,499,400 34,557,936	5,499,400 34,557,936	0 0	approval by the Consortium's Directors prior to acceptance)
TOTAL	44,550,387	44,609,530	59,143	
PDG	29,490,750	29,490,750		
Learning in Digital Wales Program	150,462	150,462		
Qualification Reform Support Grant	100,000	100,000		
School Challenge Cymru				
Criteria 1	354,900	354,900		
Criteria 2	580,281	580,281		
Criteria 3	2,110,224	2,110,224		
Global Futures Plan (MFL)	120,000	122,000	2,000	
Yr2-6 National Numerical Reasoning Tests 2016	5,000	5,000		
GCSE Support Programme	932,801	876,663	-56,138	Commitments within the grant have been put on hold due to a slight overspend in EIG and the opportunity to re-profile projects. However awaiting additional funding notification from Welsh Government to further support specific activities / projects in 2016/17
Pioneer Network – Delegated	361,935	361,935	0	

Grant	Grant Award 2016/17 £	Projected Out-turn 2016/17 £	Variance (Under)/ Over £	Comment
Pioneer Schools and Professional Learning Development			0	
Centrally Retained	611,421	611,421	0	
Delegated to School	715,299	715,299	0	
LNF Special Schools	25,000	25,000	0	
Total	80,108,460	80,113,465	5,005	

3.5 Formal notification is expected shortly from the Welsh Government around additional funding to support school improvement activities, with the expenditure to be incurred by the end of the current financial year (March 2017). The Consortium has arrangements in place to take maximum advantage of further funding opportunities announced during the year and an up dated position will be reported to the next Joint Committee meeting.

3.6 Members will note that at the 29th September 2016 Joint Committee meeting a request was made for proposals to be considered that would enable the repayment period for redundancy costs to be accelerated. Work is currently on-going to determine the viability and impact of this, for example, taking steps to generate further in-year core budget underspends to reduce the total balance of redundancy costs outstanding. An accurate position statement will be available in the last quarter of the financial year when projected outturn positions will be nearing finalisation together with a more complete picture of external funding for 2016/17. Based on this, a further up date will be reported to the March 2017 Joint Committee meeting.

4. REVENUE BUDGET 2017/18

4.1 Under the terms of the Consortium's legal agreement the Joint Committee is required to approve its budget by the 31st December for the following financial year in order that member local authorities can consider and approve their contributions.

4.2 A draft revenue budget for the forthcoming financial year has been prepared which proposes that local authority contribution levels are reduced by 5% from 2016/17 levels. A summary of the draft 2017/18 revenue budget is set out in Table 3 overleaf.

Table 3 – draft revenue budget 2017/18

Category	Revised Budget 2016/17 £	Proposed Budget 2017/18 £	Budget Increase / (Decrease) £
Expenditure			
Employees	3,502,145	3,494,264	(7,881)
Repayment of Redundancy Costs	100,000	100,000	0
Apprenticeship Levy	0	17,471	17,471
Gross Employees	3,602,145	3,611,735	9,590
Premises	550,744	539,940	(10,804)
Transport	40,000	26,000	(14,000)
Supplies & Services	365,618	304,004	(61,614)
Commissioning (Additional support for schools)	114,055	0	(114,055)
Support Services	126,100	126,100	0
Gross Expenditure	4,798,662	4,607,779	(190,883)
Income			
LA Contributions	4,195,662	3,985,879	209,783
Ty Dysgu Income	400,000	405,000	(5,000)
Grants & Other Income	203,000	216,900	(13,900)
Total Income	4,798,662	4,607,779	190,883
Net Expenditure	0	0	0

4.3 The following assumptions have been made in constructing the draft 2017/18 revenue budget set out at Table 3:

- Employee Budgets
 - The employee budget reflects the current structure and grades and a 1% pay award has been built in from April 2017 for APT&C staff and a 1% pay award from September 2017 for staff on Soulbury terms and conditions;
 - Senior Challenge Advisors based on 3.5 full time equivalents (FTEs) and Challenge Advisors reduced to 23 FTEs from September 2017;
 - Eligible salaries for Strategic Advisors administration support have been transferred to the 2017/18 Education Improvement Grant (Education Improvement Grant funding level to be confirmed);

- A budget has been created from existing resources to fund the new national Apprenticeship levy¹, effective from April 2017;
 - A 5% vacancy assumption for Business Support and Challenge Advisors has been assumed from the new Term in September 2017; and
 - The continuation of a £100k annual budget commitment to re-pay redundancy costs.
- Premises budgets – Ty Dysgu running costs revised in line with the 2016/17 projected outturn position;
 - Commissioning (additional support for schools) budgets – the budget to support local authority annexes has been removed with support to schools being provided in line with the agreed priorities of the Consortium; and
 - Income budgets – local authority contributions reduced by 5%.

4.4 The actual apportionment by authority will be based on the appropriate Indicator Based Assessments (IBAs) to be published by the Welsh Government as part of the 2017/18 revenue budget settlement. As these are not yet available for 2017/18, indicative figures based on current year IBAs are shown below, which will be updated when the relevant information is received:

Authority	2016/17 IBA '000	Allocation %	2016-17 Contribution £	2017/18 Contribution (5% reduction) £	Reduction £
Bridgend	85,771	15.59%	654,157	621,449	(32,708)
Cardiff	197,284	35.86%	1,504,650	1,429,418	(75,232)
Merthyr Tydfil	35,597	6.47%	271,491	257,916	(13,575)
Rhondda Cynon Taf	150,754	27.41%	1,149,772	1,092,284	(57,488)
Vale of Glamorgan	80,714	14.67%	615,592	584,812	(30,780)
Total	550,120	100%	4,195,662	3,985,879	(209,783)

4.5 Members will be aware that in addition to the core budget (Table 3) the Consortium also receive specific grant funding each year, the main funding source being Welsh Government. Although notification of 2017/18 grant funding levels are yet to be received, it is anticipated that the Education

¹ Apprenticeship levy – a UK Government employment tax. [Link](#) to 'Welsh Government – Q&A UK Government's Apprenticeship Levy'

Improvement Grant allocation will reduce and School Challenge Cymru funding will end in March 2017.

- 4.6 Notwithstanding the above anticipated changes, the level of retained grant funding will still represent a significant level in 2017/18, estimated to be in excess of £4M, and it will be imperative that the Consortium continues to effectively use this resource to support its strategic priorities.
- 4.7 With this in mind, specific priority areas over the medium term, as referenced within the 'draft Business Plan proposals' item of the meeting agenda, include: improving the quality of teaching within schools serving deprived communities; addressing a shortage of teaching capacity within STEM (science, technology, English & mathematics) subject areas; building capacity of future leaders of education; raising standards particularly in literacy / Welsh / English, numeracy / mathematics; and improving the outcomes of vulnerable learners fastest.
- 4.8 To help ensure the Consortium's key priorities are adequately resourced, the Joint Committee are requested to support the approach for sufficient grant funding to be prioritised over the medium term in line with the areas set out in 4.7 above.

5. CONCLUSION

- 5.1 The service is currently projecting an underspend position of £2k in 2016/17. This position will continue to be closely monitored to ensure the Consortium delivers a balanced budget at year-end alongside assessing opportunities to accelerate the pay-back period for redundancy costs.
- 5.2 The 2016-17 Grants Register has been updated and is being regularly reviewed to ensure current resources and in-year notifications of additional funding are maximised for the benefit of the schools and authorities within the Consortium area.
- 5.3 A draft 2017/18 revenue budget for the Consortium has been prepared. Under the terms of the Consortium's legal agreement, the Joint Committee is requested to approve the draft budget prior to submission to the member authorities.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

8th DECEMBER 2016

CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE

List of background papers

Freestanding matter

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