

**CENTRAL SOUTH CONSORTIUM
REPORT FOR JOINT COMMITTEE**

8TH NOVEMBER 2018

JOINT EDUCATION SERVICE

**JOINT REPORT OF THE MANAGING DIRECTOR AND THE TREASURER –
2019/20 BUDGET PROPOSALS**

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1. PURPOSE OF REPORT

- 1.1 To set out core budget saving recommendations to enable a balanced 2019/20 revenue budget to be proposed to the December 2018 Joint Committee meeting.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Consider and endorse the core budget saving recommendations (Section 4), and instruct the Treasurer to incorporate the financial effect into the 2019/20 Budget Setting Report to be presented to Joint Committee in December 2018.
- 2.2 Note the up dated medium term financial modelling position (Section 5) and agree to receive further budget saving option updates following completion of the 2019/20 budget setting process.

3. BACKGROUND

- 3.1 At the 13th September 2018 Joint Committee meeting, Members were provided with a report titled 'Budget overview and consideration of options for change' that set out an overview of the Central South Consortium's (CSC) core revenue budget together with a forecasted outlook for the period 2019/20 to 2021/22.

- 3.2 The outcome of Members' review at the September 2018 meeting was to support the formulation of more detailed core budget saving options and report back ahead of the December 2018 Joint Committee meeting.
- 3.3 One of the issues we face in setting an annual budget is that if we wish to make a fundamental change to release revenue savings, it will take at least 18 months or so, given the need to maintain provision over academic years, to make the changes and release the savings. Therefore, to plan for the 2020/21 budget, if we wish to make sufficient changes, we have to identify and agree the changes by March 2019.
- 3.4 The education environment in Wales is going through substantial change. These changes include a new curriculum from Foundation Phase through to Key Stage 5, new accountability frameworks, new approaches to supporting children with Additional Learning Needs, the implementation of schools as learning organisations, the introduction of a National Academy for Educational Leadership (endorsing programmes which will in turn attract funding), the launch of a professional learning model (which will impact upon school to school programmes) as well as changes to the way in which Estyn will inspect schools and local authorities. All this change is being delivered with no direct increase in the funding available to schools and local authorities.
- 3.5 The financial pressures on schools and local authorities are significant and whilst the current model of school improvement in Central South has been successful, is it:
 1. Fit for purpose for the future, taking into account the changes to 3-18 school provision being made by Welsh Government? and
 2. Affordable over the next 3-5 years, with a likely continued period of austerity?
- 3.6 After a discussion with the Chair of the Joint Committee and the Chief Executives of the five Councils that comprise the CSC, it is proposed that an independent review of Central South Consortium is undertaken to develop a model that meets the Councils' statutory requirements and addresses the two questions above. A separate paper on the review will be considered in another report on the Joint Committee Agenda at this meeting.
- 3.7 There is no doubt that the only way forward is regional working with councils working in partnership with their schools, but we have to either change our approach to school improvement to meet the new agenda and the continued financial pressures or prioritise funding to maintain specific service standards.
- 3.8 In discussion with the Chair of the Joint Committee and given the fact that an independent review of CSC will be undertaken to inform future budgets, the Chief Executives and Education Directors of the five Councils that comprise the CSC, have worked with the Managing Director to compile

core budget saving options for 2019/20, the detail of which is set out in Section 4 of this report.

4. Core Budget Saving Recommendations – 2019/20

- 4.1 As part of the process of planning the level of savings required, the Chief Executives and Education Directors have given careful consideration to the extent of available budget saving opportunities having regard to the forecasted financial challenges facing the five member Councils; the importance of protecting, as far as is practicable, resources for school improvement activities; and recognising that a thorough independent review will be undertaken of the future shape and activities of CSC to inform future revenue budgets.
- 4.2 In line with the above considerations, Table 1 sets out the Chief Executives' and Directors' of Education recommendations to the Joint Committee for setting the 2019/20 core revenue budget.

Table 1 – Chief Executives' & Directors' of Education Recommendations

Recommendations	2019/20 Core Budget Saving Requirement	
	£k	£k
5% reduction in local authority contribution levels		195
<u>Inescapable budget pressures</u>		
Pay Award	36	
Other (i.e. Removal of Business Support Vacancy Factor)	30	
Non-pay (i.e. Licences and Employer and Public Liability Insurance)	5	
2019/20 Total Saving Requirement (Budget Gap)		266
Budget Savings Approved ¹		(100)
Revised Budget Gap		166

- 4.3 Based on the recommendations of the Chief Executives and Directors of Education, the financial impact on 2019/20 local authority contribution levels is set out in Table 2. In line with the Legal Agreement for the CSC, funding contributions from each local authority are based on specific Indicator Based Assessments (IBAs) published by the Welsh Government; Members will note that Table 2 includes the latest IBA information published by Welsh Government as part of the Provisional Local Government Revenue and Capital Settlement 2019/20.

¹ Budget Savings Approved – as per 15th March 2018 Joint Committee meeting i.e. an alternative approach to funding redundancy costs

Table 2 – 2019/20 local authority contribution levels based on provisional 2019/20 IBAs

Authority	Provisional 19/20 IBA '000	Allocation %	2018/19 LA Contribution £	2019/20 LA Proposed Contribution (5% reduction) £	Reduction £
Bridgend	86,161	15.38%	605,892	570,792	(35,106)
Cardiff	202,756	36.20%	1,413,526	1,343,202	(70,296)
Merthyr Tydfil	35,440	6.33%	246,603	234,781	(11,818)
Rhondda Cynon Taf	153,094	27.33%	1,066,087	1,014,204	(51,903)
Vale of Glamorgan	82,702	14.76%	574,053	547,874	(26,185)
Total	560,153	100.00%	3,906,161	3,710,853	(195,308)

4.4 To address the 2019/20 total saving requirement (Table 1), Table 3 sets out core budget savings proposals for Joint Committee's consideration.

Table 3 – Proposed 2019/20 core budget savings

Core Budget Saving Proposal	Full Year Core Budget Saving £k
<u>Release of vacant positions</u>	
Business Support Officer x 1	25
Data Analyst Officer x 1	37
Eligible salaries charged to Regional Consortia School Improvement Grant	66
Strategic responsibilities aligned to Senior Challenge Advisers to be charged to grant	31
Other	7
Total	166

4.5 It is the view of the Chief Executives, Directors of Education and Managing Director that the above proposals can be delivered without impacting on the direct school improvement activities provided by the CSC. In parallel, the Treasurer has validated the proposed budget saving amounts set out in Table 3 and confirmed that they would be available for release in the 2019/20 financial year. Furthermore, if additional savings are identified as a result of the review of the CSC, and these savings can be achieved in 2019/20, these will be presented to the Joint Committee at a future date for consideration.

4.6 Subject to Joint Committee's consideration of the proposals set out in Table 3, the Treasurer will be requested to incorporate the financial effect

into the 2019/20 Budget Setting report for consideration by the Committee at its December 2018 meeting.

- 4.7 As Members will be aware, an approved earmark reserve amounting to £130k was set up as part of the CSC's 2017/18 Statement of Accounts to support the remodelling / restructuring of the service over the medium term. The on-going requirement for this reserve, together with the adequacy of its level, will be kept under regular review as part of budget monitoring arrangements.

5. MEDIUM TERM FINANCIAL PLAN (2019/20 TO 2021/22)

- 5.1 Members will recall that an up dated medium term financial forecast was reported to the 13th September 2018 Joint Committee meeting to help inform considerations in shaping the future structure of the CSC. As part of on-going modelling, the medium term financial forecast has been up dated in line with the core budget saving recommendations (Section 4.2 of this report) and also based on the following assumptions:

- Staffing costs:
 - Based on the current staffing structure in place with a 2% pay award applied for each of the three years (i.e. 2019/20, 2020/21 and 2021/22);
 - No change to Pension Fund contribution rates over the 3 year period. The Local Government Pension Fund valuation is scheduled for 2019 with any changes to contribution rates being effective from the 2020/21 financial year. The outcome of this exercise will be taken account of as part of future modelling updates; and
 - The outcome of the Government's 4 yearly actuarial valuation of national unfunded pension schemes is not yet known; this could have implications for the contribution rates for the Teachers Pensions Scheme and will be taken account of as part of future modelling up dates.
- Non-pay inflation applied in line with the forecasted inflation rates included in the latest Bank of England Inflation Report (August 2018).

- 5.2 To assist the CSC and the Joint Committee in its planning considerations over the medium term, a number of financial modelling scenarios have been compiled using the above assumptions and a summary is set out in Table 4.

Table 4 – Summary medium term financial modelling (2019/20 to 2021/22)

Financial Scenarios	Modelling	Forecasted Budget Gaps			
		2019/20 (£k)	2020/21 (£k)	2021/22 (£k)	Total (£k)
Forecasted Budget Gap (LA contributions: 19/20 -5%, 20/21 0% and 21/22 - 0%)		166	61	62	289
Forecasted Budget Gap (LA contributions: 19/20 -5%, 20/21 -3% and 21/22 - 3%)		166	172	170	508
Forecasted Budget Gap (LA contributions: 19/20 -5%, 20/21 -5% and 21/22 - 5%)		166	247	238	651

- 5.3 It is considered that the scale of potential budget savings required over the medium term will not be fully deliverable from back-office areas / efficiency savings and will necessitate the CSC to propose changes to its school improvement model. Further work will be undertaken, led by Chief Executives, the Managing Director and Education Directors and in consultation with the Joint Committee, following completion of the 2019/20 budget setting process.

6. **CONCLUSION**

- 6.1 The Chief Executives and Directors of Education of the member local authorities that comprise the CSC have set out a recommended budget saving requirement for 2019/20 and along with the Manager Director have compiled budget saving proposals to meet this requirement. In parallel, the Treasurer has validated the proposed budget saving amounts and confirmed they would be available for release in the forthcoming financial year.
- 6.2 Subject to Joint Committee’s consideration of the recommended budget savings requirement and proposed savings, the Treasurer will be requested to incorporate agreed information into the 2019/20 Budget Setting report for presentation to the Joint Committee at its December 2018 meeting.
- 6.3 Further to setting the 2019/20 revenue budget, updates will be reported to the Joint Committee in 2019 setting out proposals for the on-going provision of a school improvement model in line with available resources.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

8TH NOVEMBER 2018

CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE

List of background papers

Freestanding matter

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