

CENTRAL SOUTH CONSORTIUM

REPORT FOR JOINT COMMITTEE

21st JANUARY 2020

JOINT EDUCATION SERVICE

**JOINT REPORT OF THE ACTING MANAGING DIRECTOR AND THE
TREASURER – 2019/20 BUDGET MONITORING UPDATE, 2020/21 BUDGET
SETTING AND MEDIUM TERM FINANCIAL PLAN UPDATE**

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1. PURPOSE OF REPORT

1.1 To provide Members with:

1.2.1 An update of the projected outturn position for 2019/20 and a summary of 2019/20 grant funding.

1.2.2 The proposed 2020/21 revenue budget and basis of apportionment of local authority contribution levels for financial years 2020/21 to 2022/23.

1.2.3 A Medium Term Financial Plan update (2020/21 to 2022/23).

2. RECOMMENDATIONS

It is recommended that Members:

2.1 Note the current projected outturn position for 2019/20 and, if a revenue budget underspend materialises at year-end, support the retention of this balance within the Consortium to further support medium term planning and resourcing.

2.2 Note the current grant funding position for 2019/20.

- 2.3 Consider and approve the budget for 2020/21 in order for the constituent local authorities to approve, as appropriate, and to confirm their approval to the next meeting of the Joint Committee.
- 2.4 Approve the basis of apportionment of the local authority contribution levels for financial years 2020/21 to 2022/23.
- 2.5 Consider the Medium Term Financial Plan update (2020/21 to 2022/23) and instruct the lead Section 151 Officer to notify the constituent local authorities of the recommended indicative 3 year budget to inform the medium term financial planning arrangements within each Council.

3. BUDGET MONITORING

- 3.1 A summary of the 2019/20 projected outturn position is set out in Table 1 below:

Table 1 – Projected Outturn Position 2019/20

Category	Original Budget 2019/20 £	Projected Out-turn 2019/20 £	Variance (Under)/ Over spend £
<u>Expenditure</u>			
Gross Employees	3,116,886	3,034,911	(81,975)
Less Secondment Income	0	(35,005)	(35,005)
Net Employees	3,116,886	2,999,906	(116,980)
<u>Premises</u>			
Rent	220,000	181,063	(38,937)
Maintenance	0	1,545	1,545
Other	15,000	10,868	(4,132)
Total Premises Cost	235,000	193,476	(41,524)
<u>Transport</u>	35,000	27,745	(7,255)
<u>Supplies & Services</u>			
Continuing Professional Development / Staff Adverts	31,420	36,299	4,879
Licenses / Mobile and Telephone Charges / Computer Costs – Hardware / Software	74,896	69,941	(4,955)
Photocopying / Postage / Advertising / Stationery / General Office Expenses	57,101	72,864	15,763

Category	Original Budget 2019/20 £	Projected Out-turn 2019/20 £	Variance (Under)/ Over spend £
External Audit and Actuary Fee, Employers Liability and Public Liability Insurance	56,220	56,220	0
Induction Program Elected Members, Partnership Framework Development	3,000	0	(3,000)
Communication Strategy	5,000	0	(5,000)
Total Supplies & Services	227,637	235,324	7,687
Support Services	120,230	111,252	(8,978)
Gross Expenditure	3,734,753	3,567,703	(167,050)
Income			
Local Authority Contributions	3,710,853	3,710,853	0
Grants and Other Income	23,900	42,201	(18,301)
Total Income	3,734,753	3,753,054	(18,301)
Net Expenditure	0	(185,351)	(185,351)

3.2 The full year projected outturn position (projected as at December 2019) is a £185k underspend (£155k projected underspend reported to the 25th September 2019 Joint Committee meeting). Key variances within the projected outturn position include:

- Employees (£117k underspend) – lower than budgeted employee costs as part of undertaking planning work for the implementation of recommendations included within the ISOS review.
- Premises (£41k projected underspend) – in-year early delivery of premises savings through the optimisation of accommodation at the Valleys Innovation Centre that has enabled office space to be vacated; this has resulted in lower rental costs than budgeted.
- Transport (£7k projected underspend) – lower than anticipated travelling expenses costs incurred following relocation to the Valleys Innovation Centre.
- Supplies & Services (£8k projected overspend) – due to one-off costs associated with the ISOS Review.

- Support Services (£9k projected underspend) – the projected underspend is in respect of Service Level Agreement costs with the Lead Authority being lower than budget.
- Income (projected to be £18k higher than budget) – primarily in respect of additional unbudgeted income received in relation to administrative support provided to the Additional Learning Needs Transformational Team.

3.3 It is also proposed that if the projected underspend materialises at year-end that this be retained within the Consortium to further support medium term planning and resourcing.

3.4 Members will be aware that the Central South Consortium’s audited Statement of Accounts for 2018/19 included an earmark reserve of £89k to support the re-modelling of the service over the medium term. To date there are no re-modelling costs which require to be funded by this reserve.

4. **GRANT FUNDED SERVICE 2019/20**

4.1 Table 2 sets out the grant allocations received by the Consortium from Welsh Government as at December 2019.

Table 2 – 2019/20 grant allocations and projected outturns

Grant	Grant Award 2019/20 £	Projected Out-turn 2019/20 £	Variance (Under)/ Over £	Comment
Regional Consortia School Improvement Grant (RCSIG)				
Centrally Retained to fund National Priorities	8,806,640	8,806,640	0	Includes funding devolved to schools in order to support delivery of CSWC model.
Delegated: Local Authority / Schools	35,937,301	35,937,301	0	
TOTAL RCSIG (including match funding of £2,989,022)	44,743,941	44,743,941	0	
Pupil Development Grant (PDG)				
Centrally Retained to fund National	329,270	329,270	0	

Grant	Grant Award 2019/20 £	Projected Out-turn 2019/20 £	Variance (Under)/ Over £	Comment
Priorities				
Delegated: Local Authority / Schools	31,404,880	31,404,880	0	
TOTAL PDG	31,734,150	31,734,150	0	
Total	76,478,091	76,478,091	0	

- 4.2 The Consortium has up dated its Grants Register to reflect the position set out in Table 2 and will continue to monitor expenditure to ensure the use and effectiveness of grants are maximised across the region.

5. REVENUE BUDGET 2020/21

- 5.1 Under the terms of the Central South Consortium's Legal Agreement, the Joint Committee shall agree an annual budget by the 31st December prior to the following financial year.
- 5.2 As Members will be aware, following the UK general election being called on the 12th December 2019, the Welsh Government took the decision to defer the publication of the 2020/21 provisional local government settlement to 16th December 2019. As part of forward planning, the lead Chief Executive of the Central South Consortium sought approval from Members of the Committee for the Budget Setting Report for the forthcoming year to be deferred from the December 2019 to the January 2020 meeting in order for the settlement information to be taken account of as part of developing a draft revenue budget. This request was approved by Members prior to the 19th December 2019 Joint Committee meeting alongside agreement for the Budget Report to be presented to the 21st January 2020 meeting.
- 5.3 Members will also be aware that although the Welsh Government settlement for 2020/21 is positive, budget setting for the forthcoming financial year is set in the context of sustained reductions in funding levels over a number of years. This challenging climate is not new to constituent local authorities or the Consortium, and with specific regard to the Consortium, robust arrangements are in place that have enabled consistent year-on-year: identification and delivery of budget savings (that have protected frontline service delivery as much as possible); delivery of balanced annual budgets; and clean external audit opinions on its annual statement of accounts. For information, Table 3 sets out the changes to the Consortium's core funding levels between financial years 2016/17 and 2019/20.

Table 3 – Changes in core funding levels (financial years 2016/17 – 2019/20)

	Changes in Core Funding Levels				
	2016/17	2017/18	2018/19	2019/20	Cumulative Totals
% Change	-5%	-5%	-2%	-5%	-17%
Core Funding change increase / (decrease)	(£221k)	(£210k)	(£80k)	(£195k)	(£706k)

5.4 As part of developing a draft Revenue Budget for next year, the Chief Executives have requested that it be constructed based on a 3% reduction in contributions (see section 6 of the report). In drafting the proposed budget for 2020/21, the following parameters have been used to inform the process:

- (a) The need to protect frontline school improvement resources and target available funding to key priorities.
- (b) The continued delivery of efficiency savings.
- (c) The Consortium to fully fund:
 - Estimated employee costs and National Insurance Contribution levels, and take account of the reduction in pension costs associated with the Rhondda Cynon Taf Local Government Pension Scheme; and
 - Estimated non-pay (i.e. goods and services inflation).

5.5 In line with the above parameters, the draft 2020/21 Revenue Budget is set out in Table 4 and is based on **constituent local authority contributions being reduced by 3% compared to 2019/20 contribution levels.**

Table 4 – Draft Revenue Budget 2020/21

Category	Original Budget 2019/20 £	Proposed Budget 2020/21 £	Budget Increase / (Decrease) £
Expenditure			
Employees	3,106,886	3,054,652	-52,234
Apprenticeship Levy	10,000	10,000	0
Gross Employees	3,116,886	3,064,652	-52,234
Premises	235,000	155,400	-79,600
Transport	35,000	28,000	-7,000
Supplies and Services	227,637	233,155	5,518
Commissioning	0	27,654	27,654
Support Services	120,230	114,566	-5,664
Gross Expenditure	3,734,753	3,623,427	-111,326
Income			
Local Authority Contributions	3,710,853	3,599,527	111,326
Grants and Other Income	23,900	23,900	0
Total Income	3,734,753	3,623,427	111,326
Net Expenditure	0	0	0

- 5.6 Members will note that the draft 2020/21 Revenue Budget includes a new budget line in respect of Commissioning (£28k) and has been created through the re-prioritisation of existing resources. It is proposed the new budget will support additional and targeted specific school improvement activity across the region and will be allocated in line with existing decision making arrangements used to allocate grant funding to constituent local authorities.
- 5.7 Table 5 sets out the constituent local authority funding contributions for the 2020/21 financial year using specific Indicator Based Assessment information, with this approach continuing to represent the most up-to-date need based apportionment methodology. It is recommended that this methodology continues to be applied for the period 2020/21 to 2022/23.

Table 5 – 2020/21 local authority contribution levels

Authority	2020/21 IBA	2020/21 Allocation	2019/20	2020/21	Change Increase / (Decrease)
	'000	%	Contribution	Contribution	
			£	£	
Bridgend	95,094	15.39%	570,729	553,967	-16,762
Cardiff	223,701	36.19%	1,343,329	1,302,669	-40,660
Merthyr Tydfil	39,186	6.34%	234,897	228,210	-6,687
Rhondda Cynon Taf	168,698	27.29%	1,014,176	982,311	-31,865
Vale of Glamorgan	91,433	14.79%	547,722	532,370	-15,352
Total	618,112	100%	3,710,853	3,599,527	-111,326

- 5.8 Subject to the decision of the Joint Committee, agreed contribution levels for 2020/21 will be notified to constitute local authorities for incorporating into their respective 2020/21 budget setting arrangements.
- 5.9 The Lead Authority Statutory Finance Officer (Section 151 officer) will keep the basis of apportionment under on-going review and where significant variations arise or are anticipated, updates will be considered by Section 151 Officers of the constituent local authorities and reported to the Joint Committee as appropriate.

6. MEDIUM TERM FINANCIAL PLAN UPDATE - INDICATIVE 3 YEAR BUDGET (2020/21 TO 2022/23)

- 6.1 Medium Term Financial Planning (MTFP) is an essential component of effective financial management, a cornerstone of good governance and an enabler of service delivery and service improvement within the constraints of available resources.
- 6.2 The Consortium recognises the importance of MTFP and the latest plan was reported to the 8th November 2018 Joint Committee meeting and used to inform the 2019/20 budget setting process.
- 6.3 Members will recall that at the 19th December 2019 Joint Committee meeting, the Committee reviewed and accepted the detailed implementation plan to remodel the current Consortium approach and supported a recommendation for a report to be presented to the January 2020 Joint Committee meeting setting out an indicative three year budget for the Consortium.
- 6.4 The announcement of a proposed budget on the 11th March 2020 by the new UK Government and the absence of any indicative budget settlement levels

beyond 2020/21 from Welsh Government continues to provide uncertainty in terms of future year resource levels to constituent authorities. Notwithstanding this, it is considered reasonable for the Consortium to be provided with an indicative budget across a 3 year time horizon to support effective planning and decision making, in the recognition that, like all constituent councils, we may need to revisit in light of national resource allocation decisions.

6.5 In line with the above, the Consortium’s MTFP has been refreshed using the planning assumptions set out below:

- (a) The recommended 2020/21 Revenue Budget (paragraph 5.5 / Table 4 of this report) used as the baseline year;
- (b) Employee costs based on the current staffing structure in place and a 2% pay award¹ for financial years 2021/22 and 2022/23;
- (c) Other employee related costs: no change to Pension Fund contribution rates over the period to 2022/23 and no change to the funding mix of employee costs between core and external grant; and
- (d) Non-pay inflation applied using the forecasted CPI rates as included within the latest Bank of England Monetary Policy Report (November 2019) i.e. 2021/22 of 1.9% and 2022/23 of 2.0%.

6.6 To assist the Joint Committee in its planning considerations over the medium term, a number of financial modelling scenarios have been compiled using the above assumptions. A summary is set out in Table 6.

Table 6 – Summary medium term financial modelling (2020/21 to 2022/23)

Financial Modelling Scenarios	Forecasted Annual Budget Gaps*		
	2020/21 (baseline year) **	2021/22	2022/23
	(£k)	(£k)	(£k)
Forecasted Budget Gap (Local Authority (LA) Contributions: 20/21 -3%, 21/22 +1% & 22/23 +1%)	0	16	37
Forecasted Budget Gap	0	52	109

¹ Pay Award - pay awards effective from September each year for Soulbury posts

(LA Contributions: 20/21 -3%, 21/22 0% & 22/23 0%)			
Forecasted Budget Gap	0	88	181
(LA Contributions: 20/21 -3%, 21/22 -1% & 22/23 -1%)			
Forecasted Budget Gap	0	124	253
(LA Contributions: 20/21 -3%, 21/22 -2% & 22/23 -2%)			

* Forecasted Annual Budget Gaps - assumes no budget savings built in

** 2020/21 (baseline year) – assumes the recommended Revenue Budget position as set out in Table 4 of this report.

- 6.7 The Chief Executives of the constituent local authorities have reviewed the information set out in Table 6 and recommend that the Consortium should model its medium term budget planning arrangements on the following option:

	Forecasted Annual Budget Gap		
	2020/21	2021/22	2022/23
	(£k)	(£k)	(£k)
Local Authority Contributions: 20/21 -3%, 21/22 -1% & 22/23 -1%	0	88	181

- 6.8 Members will note that this option will require the Consortium, within the indicative funding allocated, to manage pay inflation, non-play inflation and deliver budget savings. The Chief Executives and Section 151 Officers of the constituent local authorities and incoming Managing Director will now review the recommended option in more detail and set out budget saving proposals alongside the impact on service delivery, and report back to the Joint Committee to inform 2021/22 budget setting.

- 6.9 Following on, it is important to note that this is an indicative budget through to 2022/23 to aid medium term service planning arrangements and will be kept under on-going review and updated on an on-going basis to take account of, for example, local government settlements, key changes in inflation, any financial implications relating to the implementation of the ISOS

recommendations and also key announcements such as the UK Government Budget in March 2020.

- 6.10 Subject to the consideration of the Joint Committee, the Lead Section 151 Officer will notify constituent local authorities of a recommended option to enable each Council to take account of this position as part of medium term financial planning arrangements.

7. CONCLUSIONS

- 7.1 The projected outturn position for the full year is a £185k underspend (projected as at December 2019) primarily as a result of the early delivery of core budget savings in 2019/20 that will be available for release as part of the 2020/21 budget setting process. The Consortium will continue to closely monitor and manage its resources, and report updates to the Joint Committee through to financial year-end.
- 7.2 The 2019/20 Grants Register has been updated to reflect the current grant funding position and will continue to be regularly reviewed to ensure current resources and in-year notifications of additional funding are maximised for the benefit of the schools and Councils within the Central South Consortium area.
- 7.3 A draft 2020/21 Revenue Budget for the Consortium has been prepared along with the recommended basis of apportionment of contributions from constituent local authorities for the period 2020/21 to 2022/23, for consideration by the Joint Committee.
- 7.4 The Consortium's MTFP has been refreshed and the Chief Executives of constituent local authorities have recommended an indicative revenue budget, for financial modelling purposes, through to financial year 2022/23 for the Joint Committee's consideration.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

21ST JANUARY 2020

CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE

List of background papers

Freestanding matter

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