



**CENTRAL SOUTH CONSORTIUM
REPORT FOR JOINT COMMITTEE**

5TH DECEMBER 2017

JOINT EDUCATION SERVICE

**REPORT OF THE TREASURER – 2017/18 BUDGET MONITORING UPDATE &
2018/19 BUDGET SETTING PROCESS**

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1. PURPOSE OF REPORT

- 1.1 To provide Members with an update of the projected outturn position for 2017/18.
- 1.2 To provide Members with a summary of 2017/18 grant funding.
- 1.3 To seek Joint Committee approval of the 2018/19 revenue budget.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the current projected outturn position for 2017/18.
- 2.2 Note the current grant position for 2017/18.
- 2.3 Note and approve the budget for 2018/19 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 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 spend £
<u>Expenditure</u>			
Employees	3,370,745	3,334,321	(36,424)
Premises			
Rent	270,000	270,000	0
Utilities	49,200	50,800	1,600
Non Domestic Rates	164,025	126,701	(37,324)
Maintenance	25,400	24,508	(892)
Other	30,850	31,900	1,050
Total Premises Cost	539,475	503,909	(35,566)
Transport	25,000	25,150	150
Supplies & Services			
Continuing Professional Development / Staff Adverts	41,795	23,525	(18,270)
Licences / Mobile and Telephone Charges / Computer Costs – Hardware / Software	142,290	146,202	3,912
Photocopying / Postage / Advertising / Stationery / General Office Expenses	46,290	29,223	(17,067)
External Audit and Actuary Fee, Employers Liability and Public Liability Insurance	54,750	56,038	1,288
Managed Program Support Costs	1,000	(2,893)	(3,893)
Restaurant Provisions	31,150	39,447	8,297
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	294,542	(40,733)
Repayment of Redundancy Costs	100,000	311,116	211,116
Support Services	122,241	119,741	(2,500)

Category	Revised Budget 2017/18 £	Projected Out-turn 2017/18 £	Variance (Under)/ Over spend £
Gross Expenditure	4,492,736	4,588,779	96,043
Income			
Local Authority Contributions	3,985,879	3,985,879	0
Ty Dysgu Income	407,020	464,712	(57,692)
Grants and Other Income	99,837	139,384	(39,547)
Total Income	4,492,736	4,589,975	(97,239)
Net Expenditure	0	(1,196)	(1,196)

3.2 Members will recall at the 15th September 2017 Joint Committee meeting the full year revenue position was projected to be £99k overspent and were informed that 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 to date is set out in Table 1 above and shows the revised full year projected outturn position as a £1k underspend.

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

- Employees (£36k projected underspend) – due to vacancy savings within Business Support and the transfer of eligible staff costs to the Education Improvement Grant (EIG) in order 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.
- Premises (£35k projected underspend) – this is due to the revaluation of Ty Dysgu (by the Valuation Office Agency) resulting in a reduction in Non Domestic Rates.
- Supplies and Services (£41k projected underspend) – the projected underspend is due to the re-prioritising of expenditure requirements across this area and the transfer of eligible costs to the EIG. In addition, the Supplies and Services category includes a budget of £60k for technology development in relation to the procurement of a pupil level database within the Consortia. To date £26k has been incurred with the balance of £34k committed for further technology improvements. In line with accounting rules, if the goods are not received by 31st March 2018, the Joint Committee will be requested to consider approving an earmark reserve to support this work in 2018/19.
- Repayment of redundancy costs (£211k projected overspend) – the projected overspend relates to redundancy costs incurred in 2017/18 to support an on-going programme of restructuring within the service and is projected to be

fully funded from in-year resources. For Members information, the current budget in place of £100k is fully committed to re-pay redundancy costs incurred pre-2016.

- Income - (projected to be £97k higher than budgeted). Key variances within this position include:
 - Higher than budgeted income projected to be received in-year in respect of the Conference Centre / Restaurant (£58k). The Conference Centre will continue to be marketed with the aim of maximising usage and income generation opportunities; and
 - 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 (£39k).

3.4 The programme of work to review and challenge all areas of income and expenditure will be on-going through to year-end to ensure the Consortium continues to make the best use of resources, considers opportunities to accelerate the repayment of redundancy costs incurred pre-2016 and at the same time deliver a balanced budget.

GRANT FUNDED SERVICE 2017/18

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

Table 2 – 2017/18 grant allocations and projected outturns

Grant	Grant Award 2017/18 £	Projected Out-turn 2017/18 £	Variance (Under)/ Over £	Comment
<u>Education Improvement Grant for Schools (EIG)</u>				Includes the transfer of eligible core staff costs to the EIG.
Centrally retained salaries and support cost	2,054,424	2,054,424	0	Awaiting feedback from the Welsh Government around additional funding opportunities to further support
Funding for specific circumstances	3,386,356	3,386,356	0	specific activities / projects in 2017/18 (subject to consideration / approval by the Consortium's
Delegated: Local Authority	5,124,983	5,124,983	0	

Grant	Grant Award 2017/18 £	Projected Out-turn 2017/18 £	Variance (Under)/ Over £	Comment
Delegated Schools	34,978,732	34,978,732	0	Directors prior to acceptance).
TOTAL EIG (including match funding of £3,061,582)	45,544,495	45,544,495		
Schools Challenge Cymru	78,945	78,945	00	
Pupil Deprivation Grant	30,467,400	30,467,400	0	
Learning in Digital Wales Program	150,462	150,462	0	
Support for children and young people's informal Welsh	77,800	77,800	0	Academic Year Grant (September 2017 to August 2018)
Year 2 - 6 National Numerical Reasoning Tests 2017	5,000	5,000	0	
Advisory team on Delivery of Foundation Phase Nursery Provision for 3-4 year olds	3,784	3,784	0	
Raising Schools Standards Curriculum and Assessment	290,728	290,728	0	
High Quality Education Profession	1,522,493	1,522,493	0	
Self-Improving System	252,950	252,950	0	
Research & Evaluation	60,000	60,000	0	
Pioneer Schools Network				
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	

Grant	Grant Award 2017/18 £	Projected Out-turn 2017/18 £	Variance (Under)/ Over £	Comment
South Wales Valley Project	52,500	52,500	0	Academic year grant (September 2016 to August 2017)
Total	80,497,807	80,497,807	0	

- 3.6 Formal notification is expected shortly from the Welsh Government in respect of additional funding to support school improvement activities, with the expenditure to be incurred by the end of the current financial year (March 2018). 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.

4. REVENUE BUDGET 2018/19

- 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 The Chief Executives of the five Councils that comprise the Central South Consortium have agreed, in consultation with the Managing Director, to recommend to the Joint Committee that the local authority contribution levels reduce by 2% for the 2018/19 financial year.
- 4.3 With the above recommendation in mind and taking account of the challenging public sector financial climate that is forecast into the future, the Consortium has prepared a plan that will remodel the Service over the medium term. For the 2018/19 financial year, the primary focus will be on changing the level of support resources and accommodation in place to ensure they continue to align with the current and future needs of the Service.
- 4.4 Based on the above, a summary of the draft 2018/19 revenue budget is set out in Table 3 overleaf.

Table 3 – Draft revenue budget 2018/19

Category	Revised Budget 2017/18 £	Proposed Budget 2018/19 £	Budget Increase / (Decrease) £
Expenditure			
Employees	3,353,975	3,295,043	(58,932)
Repayment of Redundancy Costs (pre-2016)	100,000	100,000	0
Apprenticeship Levy	16,770	16,475	(295)
Gross Employees	3,470,745	3,411,518	(59,227)
Premises	539,475	335,500	(203,975)
Transport	25,000	34,333	9,333
Supplies and Services	335,275	227,407	(107,868)
Support Services	122,241	120,230	(2,011)
Gross Expenditure	4,492,736	4,128,988	(363,748)
Income			
Local Authority Contributions	3,985,879	3,906,161	79,718
Ty Dysgu Income	407,020	153,036	253,984
Grants and Other Income	99,837	69,791	30,046
Total Income	4,492,736	4,128,988	363,748
Net Expenditure	0	0	0

4.5 The following assumptions have been made in constructing the draft 2018/19 revenue budget set out at Table 3:

- Employee Budgets
 - A remodelled staffing establishment that incorporates a 1% pay award from April 2018 for APT&C posts and a 1% pay award from September 2018 for posts on Soulbury terms and conditions;
 - With specific regard to posts within the Business Support Team (APT&C terms and conditions), a 3% budgeted vacancy assumption has been maintained;
 - Eligible salaries for Strategic Advisors administration support to continue to be funded from the Education Improvement Grant (Education Improvement Grant funding level to be confirmed); and
 - The continuation of a £100k annual budget commitment to re-pay redundancy costs incurred pre-2016.

- Premises budgets - remodelled premises budgets that take account of more cost effective accommodation, in line with the needs of the service;
- Income budgets
 - Local authority contributions reduced by 2%; and
 - A reduction in Ty Dysgu income (i.e. Conference Centre and Restaurant income) reflecting the move to more cost effective accommodation that will encompass fit for purpose meeting facilities and alternative provision for refreshments.

4.6 The actual apportionment by local authority will be based on the appropriate Indicator Based Assessments (IBAs) to be published by the Welsh Government as part of the revenue budget settlement. As these are not yet available for 2018/19, indicative figures based on current year IBAs are shown below, which will be updated when the relevant information is received:

Table 4 – Indicative local authority contributions based on 2017/18 IBAs

Authority	2017/18 IBA '000	Allocation %	2017/18 Contribution £	2018/19 Contribution (2% reduction) £	Reduction £
Bridgend	84,775	15.59%	621,381	608,953	(12,428)
Cardiff	195,867	36.02%	1,435,669	1,406,956	(28,713)
Merthyr Tydfil	34,766	6.39%	254,827	249,730	(5,097)
Rhondda Cynon Taf	148,405	27.29%	1,087,779	1,066,023	(21,756)
Vale of Glamorgan	79,978	14.71%	586,223	574,499	(11,724)
Total	543,791	100.00%	3,985,879	3,906,161	(79,718)

4.7 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 2018/19 grant funding levels are yet to be received, it is anticipated that the Education Improvement Grant allocation will reduce (the provisional local government settlement indicates a potential 11% reduction in EIG).

4.8 Notwithstanding the above anticipated changes, the level of grant funding will still represent a significant level in 2018/19 and it will be imperative the Consortium continues to effectively use this resource to support the strategic priorities set out in the Business Plan. With this in mind, key priority areas over the medium term, as referenced within the '2018/19 draft Business Plan' item of the meeting agenda, will align with 'Education in Wales: Our National Mission' and will be to develop a high-quality education profession; develop inspirational leaders and to

facilitate their working collaboratively to raise standards; develop strong and inclusive schools committed to excellence, equity and well-being; and develop robust assessment, evaluation and accountability arrangements supporting a self-improving system.

5. CONCLUSION

- 5.1 The service is currently projecting a £1k underspend as at the end of the 2017/18 financial year (as at 31st March 2018). This position will continue to be closely monitored to ensure the Consortium continues to make the best use of resources, considers opportunities to accelerate the repayment of redundancy costs incurred pre-2016 and at the same time deliver a balanced budget.
- 5.2 The 2017/18 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 2018/19 revenue budget for the Consortium has been prepared and reflects the plan to remodel the Service over the medium term. Under the terms of the Consortium's legal agreement, the Joint Committee is requested to approve the 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

5th DECEMBER 2017

CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE

List of background papers

Freestanding matter

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