

Date written: 5th September 2018

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Date of meeting where the report is being considered: 13th September 2018

Report Title: Budget overview and consideration of options for change

1. PURPOSE OF THE EXECUTIVE SUMMARY

1.1 This paper summarises the main core budget related information contained within the attached document 'Central South Consortium – Core Budget Financial Plan Options Document 2019 – 2021' – APPENDIX 1.

1.2 The Executive Summary sets out:

- A brief overview of how the Central South Consortium (CSC) has met the challenge of delivering core budget savings in recent years:
- The 2018/19 core revenue budget; and
- Planning for 2019/20 and beyond.

2. RECOMMENDATIONS

It is recommended that Members:

- Note the contents of the report:
- Consider the arrangements in place for the approval and apportionment of external grant funding 'award offers' received (Appendix 1 / paragraph 2.1); and
- Support the formulation of more detailed budget saving options and report to the Joint Committee for consideration ahead of the December 2018 Joint Committee meeting (Appendix 1 / paragraph 5.5).

3. BACKGROUND

3.1 The national guidance for regional working (published November 2015) outlines the vision of regional school improvement with Consortia working on behalf of Local Authorities to lead, orchestrate and co-ordinate the improvement of the performance of schools and the education of young people. The model outlines how challenge advisers form an integral part of the annual cycle of improvement.

3.2 The original document outlined the funding commitment from the Local Authorities to fulfil the national model. Three sources of funding were identified: Core Local Authority funding, dedicated grant funding from Welsh Government and generated income.

3.3 The Legal Agreement for Central South Consortium was signed in April 2015 by all member authorities and sets out the provision for a regional school improvement service. The

agreement outlines the financial contributions of the member authorities as well as the treatment of grants from Welsh Government. Core contributions are based on the respective proportion of the relevant Indicator based Assessments (IBA's) of each local authority for that financial year (Section 8.2 Legal Agreement), with the apportionment of each grant to be considered by the Advisory Board and reported to and agreed by CSC Joint Committee (Section 9.3 Legal Agreement).

- 3.4 The responsibility for considering grant apportionment has been delegated to the Directors' steering group, to ensure the Consortium is able to take advantage of grant offers in a timely and effective manner. The terms of reference of the steering group support this approach which states that *'In liaison with the s151 Officer to report and recommend to the Joint Committee, the apportionment and allocation between the Parties of grants received by the School Improvement Service including the acceptance of grant terms and conditions'*. (Schedule 3 Legal Agreement). See Appendix A for meeting dates for 2018/19. Directors meet on a monthly basis and are able to consider terms and conditions and apportionment and is a standing item on the steering group agenda.
- 3.5 Whilst this Executive Summary is focussed on the CSC's core budget, as Members will be aware, the Welsh Government provides the most significant source of funding to support the Consortium's work in the form of the Regional Consortia School Improvement Grant and the Pupil Development Grant. These grants support the delivery of national priorities, have specific terms and conditions and accounts of 95% of the total resources available to the CSC. Further updates on the grant funding position will be provided to Members during the year.

4. DELIVERY OF CORE BUDGET SAVINGS – 2016/17 to 2018/19

- 4.1 The CSC, like all local authorities in Wales, has been operating for a number of years within an environment of reducing resources as a result of on-going public sector austerity. During this period, the CSC has worked closely with member local authorities to agree both funding contribution levels and key budget strategy principles, the latter being used to inform budget setting processes each year.
- 4.2 The key principles that have formed the basis of the CSC's core budget strategies between 2016/17 and 2018/19 were:
- Reductions in local authority contribution levels: 5% in 2016/17, 5% in 2017/18 and 2% in 2018/19;
 - Pay inflation, incremental growth and non-pay inflation to be absorbed by the CSC within existing resources;
 - Inescapable budget pressures, such as the apprenticeship levy, to be absorbed by the CSC within existing resources; and
 - The freedom to explore and implement arrangements to generate income.

4.3 A summary of the total core budget savings delivered over this period are set out in Table 1.

Table 1 – Summary of total core budget savings delivered (2016/17 to 2018/19)

	2016/17 (£k)	2017/18 (£k)	2018/19 (£k)	Total (£k)
Reduction in local authority contribution levels	221	210	80	511
Inescapable budget pressures absorbed (e.g. pay / non-pay inflation)	82	78	87	247
Total Core Budget Savings Delivered	303	288	167	758
Total Core Budget Savings as a % of Total Core Budget	6%	6%	4%	

4.4 Over this period, the CSC has been able to deliver the majority of the required core budget savings from non-frontline service areas to protect the resources in place to support the School Improvement Service. This approach has supported the delivery of consistent year-on-year balanced budgets, underpinned by robust service and financial management arrangements, and the main areas of savings being as follows:

- Reduction in business support resources;
- Accommodation savings;
- Reduction in non-pay budget areas; and
- Grant maximisation.

4.5 Notwithstanding the positive track record of delivering savings from non-frontline areas, it is considered this approach is becoming increasingly more difficult to deliver each year.

4.6 In addition to the above, through careful planning, a phased and managed reduction in challenge advisers from 28.1fte to 22.8fte has been delivered (between 2015/16 and 2018/19) at the same time as maintaining the existing model of support to schools. This has been achieved through improvements in productivity, the knock on effect of school rationalisation / transformation programmes and importantly the positive impact of the ‘self improving’ model in partnership with schools that has enabled more schools requiring less support.

5. THE 2018/19 CORE REVENUE BUDGET

5.1 The CSC’s Revenue Budget was agreed by Joint Committee at its December 2017 meeting. Since December, information has been up dated that necessitate revisions to the budget, for example, changes to the timing of the accommodation move from Ty Dysgu to the Valleys Innovation Centre, and these have been built into the Budget Monitoring Report presented to the 13th September 2018 Joint Committee for Members consideration.

5.2 The revised 2018/19 Revenue Budget, subject to approval by the Joint Committee on 13th September 2018, is set out in Table 2.

Table 2 – Revised 2018/19 Revenue Budget

Core budget Category	Revised Budget 2018/19 £	Areas that the core budget funds
Employees	3,232,073	90% Challenge Advisers (20.5fte), 47% Senior Leadership Team (1.25fte), 85% Senior Challenge Advisers (5.95fte) and 17.5 fte Business Support staff
Premises	260,761	Rent, National Domestic Rates & Utilities, Maintenance
Transport	34,333	Travel / Relocation expenses (Part Year)
Supplies & Services	237,010	Continuing Professional Development, Mgt Information System, Stationery, Photocopying, Communications
Redundancy Costs	100,000	Annual costs
Support Services	120,230	SLA agreements with RCT (Payroll, Internal Audit, Payroll/Pensions, ICT, HR, Accountancy)
Gross Expenditure	3,984,407	
Funded By Local Authority Contributions & Other Income	(3,984,407)	

5.3 With specific regard to budgeted Employee costs funded from the core budget, Table 3 provides a more detailed breakdown:

Table 3 – Budgeted Employee Costs

Positions	Employee Budget (£)	% of Total Employee Budget
Senior Challenge Advisers / Challenge Advisers	2,278,556	70.50
Senior Leadership Team	231,306	7.16
Business Support	693,770	21.46
Others (e.g. Conference Centre, Apprenticeship Levy etc.)	28,441	0.88
Total	3,232,073	100.00

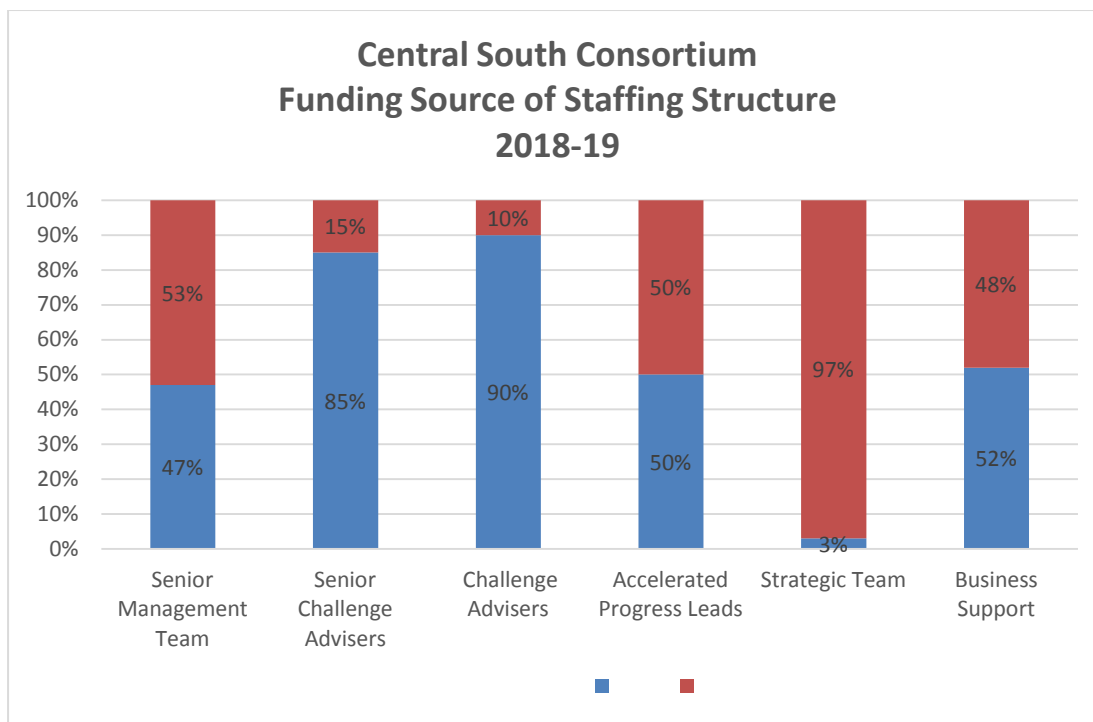
5.4 Based on the allocation of resources across the total budget, for every £1 of core budget spent by the CSC:

- 78 pence is spent on direct frontline service delivery
- 7 pence is spent on supporting the frontline e.g. data analysts providing challenge advisers and schools with relevant information and data to support school improvement; and

- 15 pence is spent on support functions to ensure the governance, strategic and operational management of the business runs effectively.

5.5 Over and above the core budget set out in Table 2, as part of the on-going strategy of grant maximisation, 14% / £658k of eligible core costs are to be funded from grant in 2018/19. The main area where grant maximisation is eligible to be applied relates to staffing and an analysis is set out at Figure 1.

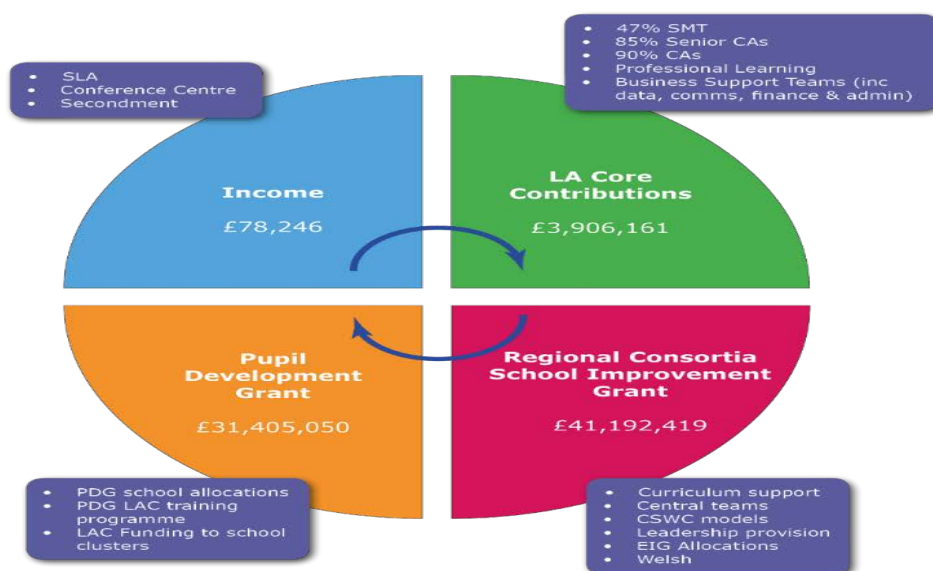
Figure 1 – Funding source of the 2018/19 staffing structure



Putting the 2018/19 Core Revenue Budget Into Context

5.6 The core Revenue Budget for 2018/19 represents 5% of the total funding available to the CSC and an overview of this position is set out in Figure 2.

Figure 2 – Total funding compared to core funding



5.7 The core Revenue Budget for 2018/19 represents between approximately 4% and 6% of Local Authority retained budgets, and an overview is set out in Table 4.

Table 4 - 2018/19 CSC Core Budget Compared to LA Retained Budgets (source: Stats Wales 2018-19 Budgets)

	Total Education Budget	Schools	Local Authority	Local Authority Contribution to School Improvement Service	% of School Improvement contribution from Total Education Budget	% of School Improvement Contribution from LA Retained Budget
	£'000	£'000	£'000	£'000		
Bridgend	123,637	111,196	12,441	606	0.49%	5%
Cardiff	303,393	280,655	22,738	1,414	0.47%	6%
Merthyr Tydfil	53,566	46,771	6,795	246	0.46%	4%
Rhondda Cynon Taf	223,813	196,416	27,397	1,066	0.48%	4%
Vale of Glamorgan	115,289	103,877	11,412	574	0.50%	5%
Total	819,698	738,915	80,783	3,906		

Service and Financial Management Arrangements

- 5.8 During the current financial year to date, work has been undertaken with member local authorities around the funding of redundancy costs incurred to support the remodelling of the Service. Member local authorities have agreed an approach to positively support the repayment arrangements, as reported to Joint Committee in June 2018, and the budgetary impact of the revised arrangements will be built into the 2019/20 budget setting process.
- 5.9 Robust and forward thinking service and financial management arrangements remain in place within the CSC as demonstrated by the Business Plan and Budget Monitoring updates reported to the September 2018 Joint Committee meeting. It is considered that the continued effective operation of these arrangements will be critical in supporting the CSC to construct a medium term strategy in line with the requirements of elected Members, member local authorities and schools.

6. 2019/20 AND BEYOND

- 6.1 To help inform considerations in shaping the future structure and service model delivered by the CSC, an up dated financial forecast for the next 3 years is set out in Table 5 (forecasts based an assumed 3% reduction in Local Authority contribution levels across the 3 financial years).

Table 5 – Up dated financial forecast (2019/20 to 2021/22)

	2019/20 (£k)	2020/21 (£k)	2021/22 (£k)
Base Budget	3,984	3,818	3,704
Less the part year effect of the previous year's Budget Strategy	-46	0	0
Revised Base Budget	3,938	3,818	3,704
Pay inflation	36	56	57
Employer Superannuation Cont	-31	0	0
Inescapable Demands	58	0	0
Non-pay inflation	5	5	5
Budget Requirement	4,006	3,879	3,767
<u>Resources</u>			
Member local authority contribution levels	3,789	3,675	3,565
Other Income	29	29	29
Total Resources Available	3,818	3,704	3,594
Original Budget Gap	188	175	173
Budget Savings Approved	100	0	0
Revised Budget Gap	88	175	173
Cumulative Budget Gap			436

6.2 In compiling this forecast, the following assumptions have been made:

- The part year effect of budget savings delivered in 2018/19 built into the 2019/20 budget;
- Based on current staffing structures with a 2% pay award applied for each of the three years;
- 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 up dates;
- 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; and
- Non-pay inflation applied in line with the forecasted inflation rates included in the August 2018 Bank of England Inflation Report.

6.3 As part of planning to address the savings requirement, possible themes for consideration include:

- Further re-modelling opportunities of the business support function;
- Re-structure of Senior Management Team resources;
- Full cost recovery from member local authorities / partners for activities outside of the national model; and
- What is the bare minimum level of school improvement service that could be provided?

APPENDIX 1

Central South Consortium

Core Budget Financial Plan

Options Document

2019 - 2021

Date written: 5th September 2018

Report author: Mike Glavin & Louise Blatchford

Date of meeting where the report is being considered: Thursday 13th September 2018

This report has been produced internally with the support of the Lead Section 151 officer representative Paul Griffiths.

It is important to note that this has not been through any consultation process. Whilst stakeholders, including Directors are aware that the report is being produced, they have not yet had the opportunity to contribute or express a view.

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1.0 Purpose of the Report

At the meeting of Joint Committee (March 2018), Joint Committee were presented with a 3-year financial plan which included a remodelling of the central service as well as the relocation of the permanent offices.

As requested by Members of the Joint Committee in June 2018, the purpose of this report is to:

- Provide Members with the context regarding the establishment of the Consortium and financial governance;
- Provide an overview of the funding streams available to Central South Consortium;
- Provide Members with an update on possible remodelling options within the core budget to achieve future budget savings: and to
- Outline the current position regarding the grant funding to the Consortium.

2.0 Background

The national guidance for regional working (published November 2015) outlines the vision of regional school improvement with Consortia working on behalf of Local Authorities to lead, orchestrate and co-ordinate the improvement of the performance of schools and the education of young people. The model outlines how challenge advisers form an integral part of the annual cycle of improvement.

The original document outlined the funding commitment from the Local Authorities to fulfil the national model. Three sources of funding were identified: Core Local Authority funding, dedicated grant funding from Welsh Government and generated income.

The Legal Agreement for Central South Consortium was signed in April 2015 by all member authorities and sets out the provision for a regional school improvement service. The agreement outlines the financial contributions of the member authorities as well as the treatment of grants from Welsh Government. Core contributions are based on the respective proportion of the relevant Indicator based Assessments (IBA's) of each local authority for that financial year (Section 8.2 Legal Agreement), with the apportionment of each grant to be considered by the Advisory Board and reported to and agreed by CSC Joint Committee (Section 9.3 Legal Agreement).

However, the delegation of responsibility for considering grant apportionment has been by the Directors' steering group, to ensure the Consortium is able to react in a timely manner to grant awards. The terms of reference of the steering group support this approach which states that '*In liaison with the s151 Officer to report and recommend to the Joint Committee, the apportionment and allocation between the Parties of grants received by the School Improvement Service including the acceptance of grant terms and conditions*'. (Schedule 3 Legal Agreement). See Appendix A for meeting dates for 2018/19. Directors meet on a monthly basis and are able to consider terms and conditions and apportionment and is a standing item on the steering group agenda.

2.1 Options for consideration

1. Continue to delegate responsibility to the Directors' steering group to approve the apportionment of grants and provide recommendations to Joint Committee. Papers are issued a week in advance of the meeting and there is the opportunity to discuss with Cabinet Members prior to the Directors' meeting taking place; or
2. Joint Committee to meet monthly (to ensure the Consortium remains agile to accept Awards of Funding) to review apportionment of grants & Directors' steering group to meet half termly; or
3. Establish additional Joint Committee financial subcommittee to meet monthly; or
4. Seek approval via email from Cabinet Members to accept Awards of Funding from WG. Emails would contain terms and conditions as well as report detailing proposed apportionment.

3.0 Central South Consortium Funding Streams

3.1 Core Local Authority Funding

Members will be aware that the National Model recommended £5.4m of contributions to the Central South Consortium from the constituent Local Authorities. However, the actual contributions received were considerably less. Furthermore, an additional 5% reduction was agreed in financial years 2016/17 and 2017/18, and at the Joint Committee meeting held on the 5th December 2017 a further reduction of 2% was approved for 2018/19. In 2018/19 the funding level was 29% below the recommendations made within the guidance for Regional Working (Published November 2015).

Given the reduction in funding, and in order to present a balanced budget, approx. £430k of efficiency savings have already been achieved between financial years 2016/17 and 2017/18 with a further £80k to be achieved from the core budget in 2018/19 (net of unavoidable incremental growth e.g. pay awards, apprenticeship levy, non-pay inflationary increases).

Table 1: CSC Core Budget Profile 2015 – 2020

	National Model Recommendation £	2015 -	2016/17	2017/18	2018/19	2019/20
		19% cut from National Model	5% cut	5% cut	2% cut	3% cut
Local Authority Contributions	5,471,204	4,416,486	4,195,662	3,985,879	3,906,161	3,788,976
£ Cut		1,054,718	220,824	209,783	79,718	117,185
£ Total Cut				1,682,228		

3.2 Dedicated funding for schools and school improvement routed through Consortia by Welsh Government

Due to the rationalisation of grants, Central South Consortium is now in receipt of only the Regional Consortia School Improvement Grant (RCSIG) and the Pupil Development Grant.

3.2.1 Regional Consortia School Improvement Grant (RCSIG)

The main grant received by regional consortia to support national school improvement priorities in financial year 2018/19 is the Regional Consortia School Improvement Grant (RCSIG) – this grant now incorporates the former Education Improvement Grant (EIG) and Raising Schools Standards Grant (RSSG).

Welsh Government previously wrote to Lead Directors and Lead Section 151 officers, outlining the changes to the grant funding of Consortia and Local Authorities. In the communication received it outlined that Welsh Government would issue:

- *a high-level “remit style” letter outlining the regions indicative funding envelope for the forward financial/academic year(s) to enable and help improve the Consortia’s business planning cycle (Received 20th December 2017).*
- *a single grant letter (excluding the Pupil Development Grant) that will be issued in the early New Year (Received 12 March and presented to Directors on 20 April and Joint Committee on 14 June).*
- *payments on a profile/quarterly basis with monitoring of spend undertaken through review and delivery of the Consortia’s business plans and also at Challenge and Review meetings negating the need for claim submissions in the future. (Autumn Term Challenge & Review session 13th December 2018).*

Welsh Government indicated that £13.1m of the former EIG transferred into the Revenue Settlement Grant (RSG) of Local Authorities, to drive prioritisation of funding for public services; in addition to this an overall reduction of £2m across Wales was applied – an overall reduction of £1.1m or 2.37% cut for the Central South Consortium.

To summarise since the introduction of the EIG in 2015 (11 standalone grants amalgamated) the grant was cut by 10% compared to the historic funding levels of the previous standalone grants, followed by a further 5% cut in 2016/17, a 0.62% in 2017/18 and a 2.37% cut in 2018/19.

Information on the all Wales figures (2019/20 allocations) for the former EIG was published in the Final Settlement on the 19th December 2017. **Based upon unpublished indicative allocations provided by Welsh Government to each consortia Managing Director during autumn 2017/spring 2018, indicative allocations for CSC for 2019/20 are outlined in the table below:**

Table 2: Indicative Allocations for the EIG for schools' element of the RCSIG 2019/20

	2015 – 2016 £m	2016 – 2017 £m	2017 – 2018 £m	2018 – 2019 £m	2019 – 2020 <u>INDICATIVE</u> £m
All Wales	142.594	137.529	133.282	118.137	107.044
% Cut	10%	3.5%	3.09%	11.36%	9.39%
CSC	43.461	41.466	41.210	35.605	32.228
% Cut	10%	4.6%	0.62%	13.6%	9.5%
TOTAL Cut	16.060¹				

Points to Note:

- National allocations for the EIG for schools' element for 2019/20 were originally forecasted to reduce by £11.1m or 9.4%;
- Welsh Government have since indicated to consortia that the overall cut applied to 2019/20 allocations will not be as severe as previously indicated in Autumn 2017. No written confirmation has been received.

3.2.2 RCSIG (excluding EIG for schools' element) and PDG

The Consortium is now in receipt of actual allocations for all grants due in 2018/19. A summary of the funding is show in Table 3. This shows although overall grant funding increased during 2018/19, the increase was due to the additional funding made available for PDG offset against a cut in the main school improvement grant (RCSIG).

¹ Cut calculated based on 2014/15 grant funding allocations

Table 3: Allocations for Other Grants 2018/19

	Grant Line	2017-18 £	2018-19 £	Inc/(Dec) £	% Change
CSC	Regional Consortia School Improvement Grant (RCSIG)				
	• Leadership	517,201	332,962	-184,239	-35.6%
	• Curriculum and Assessment	290,728	292,889	2,161	0.7%
	• High Quality Education Profession	1,522,493	1,689,132	166,639	10.9%
	• Self-Improving system	488,989	470,351	-18,638	-3.8%
	• Research & Evaluation	60,000	60,000	0	0.0%
	Other (inc MFL, AfL, GCSE Support, Literacy & Numeracy)	1,410,417	648,045	-762,372	-54.1%
	LiDW	150,462	1,956,250	-13,447	-8.9%
	Pioneer Block Grant	1,991,250	137,015	-35,000	-1.8%
	Regional Consortia School Improvement Grant (RCSIG)	6,431,540	5,586,644	-844,896	-13.14%
	Pupil Development Grant (PDG)	30,517,400	31,405,050	887,650	2.9%
Pupil Development Grant (PDG)	30,517,400	31,405,050	887,650	2.9%	

3.2.3 Pupil Development Grant

Welsh Government confirmed on 20th April 2018 there would be an alternative approach to the PDG allocation for financial years 2018/19 and 2019/20 and subsequently the following changes were implemented into the grant:

- Early Years PDG (EYPDG) increasing from £600 to £700;
- A simplified formula for the allocation of the EYPDG;
- Use of 2016 PLASC data instead of the latest data available;
- All schools will receive a minimum PDG allocation equivalent to one learner;
- Expanded definition of the PDG – to provide schools with the flexibility to support learners who have been e-FSM in the previous two years; and
- Guaranteed funding allocation levels for the next two financial years (2018/2019 and 2019/2020) – allowing schools stability to plan ahead.

Following discussion at the Budget Advisory Group meeting 27th April 2018 (and subsequent discussions with Directors), it was agreed that CSC would seek further clarification from WG particularly around expectations / submission of supporting plans for new schools and any opportunity that maybe available to support additional funding for “growing” schools. A business case was submitted identifying any shortfall for exceptional circumstances this included cases where schools may experience a negative impact as a consequence of the PLASC 2016 figures being significantly different to PLASC 2017.

As a result of the Business Case Welsh Government responded with the following criteria and adopted a three stage process in order to smooth out the issues identified:

Stage 1 - New schools opening between January 2016 (close of the data collection) and 2017 (opening of the next data collection). *'Schools that opened in September 2017 would not have received any funding if we had continued with the previous allocation method, therefore they have not been considered within the scope of this exercise. There will have been similar cases every year of PDG due to the timing of the census and we have not funded these in the past. Schools opening in September 2017 will be included in the exercise next year'*.

Stage 2 - Schools with planned increased capacity between January 2016 (close of the data collection) and 2017 (opening of the next data collection). *'Again, schools that increased capacity in September 2017 would not have received any funding if we had continued with the previous allocation method. There will have been cases like this every year of PDG due to the timing of the census and we have not funded these in the past'*.

Stage 3 – *'Schools with a minimum of 5 efsm learners; that were above 15% efsm in 2017; and had an increase of at least 3 efsm learners have been funded at a level of 50% (within the overall envelope available)'*.

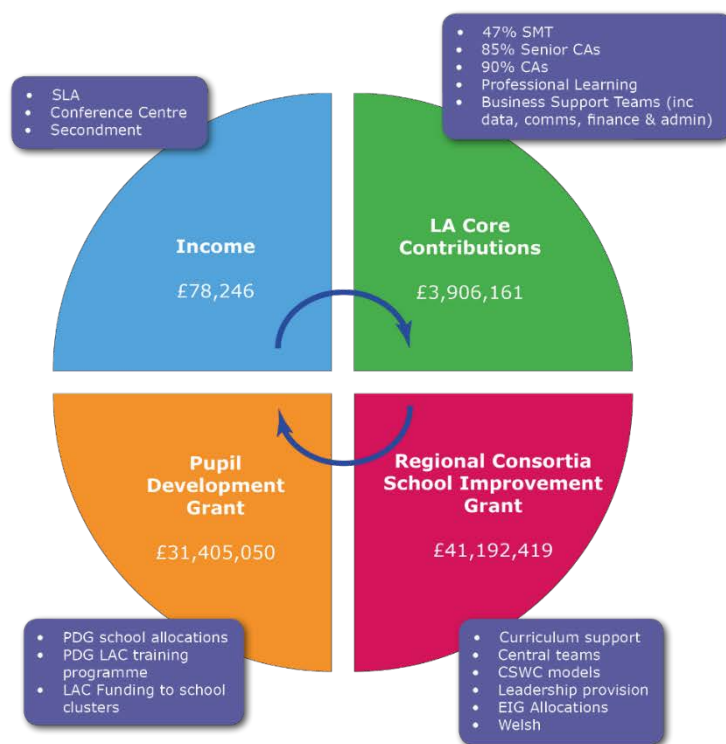
3.3 Funding generated by Consortia as a result of charging for some of the programmes and interventions they commission.

Previously, CSC has been able to generate income by charging for programmes and interventions. However, with the launch of the Central South Wales Challenge and the establishment of the hub school-to-school model, income was greatly reduced in 2016/17 with CSC only retaining a 10% administration fee for paid programmes. From 2017 /18, all programmes are offered free to schools (unless external provider costs are incurred), further impacting upon the income received from the professional learning offer. This has reduced income by over £80k over the two-year period.

In addition, Tŷ Dysgu previously operated as a conference centre. Income from the conference centre was used to offset accommodation costs. Due to the relocation of CSC to the Valleys Innovation Centre (VIC) in order to deliver efficiency savings the ability to generate income has been significantly reduced/ceased.

3.4 Funding position 2018/19

The diagram below summarises the funding position for Central South Consortium for 2018/19, and illustrates the main areas of spend regarding the Core and Grant funding streams and the opportunities available to generate additional income.



4.0 Context

In order to be able to present possible options for consideration, this section of the report will detail the current efficiency savings and provide an overview of the current staffing structure, and funding methodology.

4.1 Current Efficiency Savings

Significant efficiency savings have been found within the core budget over the past few years and CSC continue to operate under a value for money approach where all costs are kept to a minimum to ensure a balance budget is achieved. To date, the following strategies have been developed to ensure increased efficiency and effectiveness:

- Efficiency savings from a rigorous approach to budget planning and oversight with a focus on value for money including increasing income from the use of the building in particular;

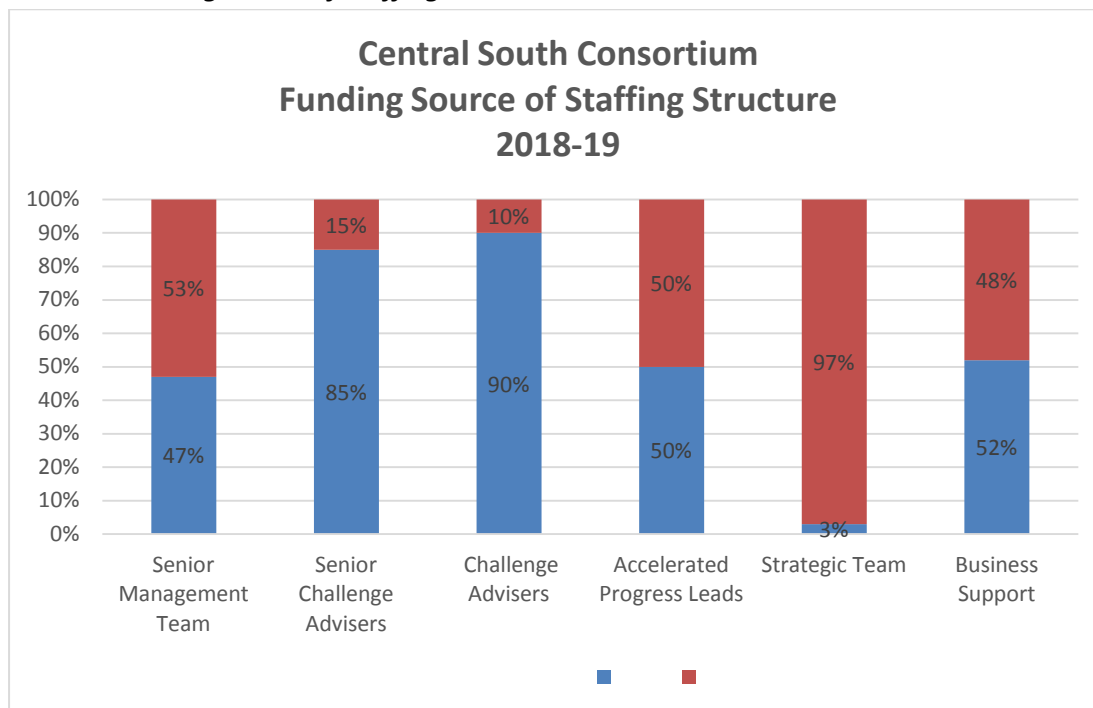
- Service redesign proposals particularly around the more traditional ‘provided’ services, literacy, numeracy and Welsh in particular, where there was an opportunity to move to a school led model by identifying lead practitioners and specialist centres with capacity to support other schools;
- Reviewing posts as a result of a better information management system, the senior team structure and the number of challenge adviser posts in light of a risk based approach to challenge and support;
- Wherever possible, eligible costs incurred within the core budget are identified and profiled against grant funding streams once terms and conditions are received. This includes over 50% of the management team, 15% of senior challenge advisers and 10% of challenge advisers charged to grant funding streams;
- Reductions in the FTE of challenge advisers over a number of years in line with the categorisation process of schools;
- Redesign and reconfiguration of Business support functions; and
- Relocation to more cost effective accommodation.

Table 4 - Reduction in Challenge Advisers between 2012/13 and 2018/19

	FTE (Budget)						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Challenge Advisers	33.3	36.3	29.4	28.1	24	22.9	22.8

Since 2017/18, and in order to be able to fulfil the school improvement function as well as the obligations within the business plan, it has not been possible to fund all core functions of the organisation from within Local Authority core contributions. As can be seen in the chart below, a significant proportion of the senior management team budget for CSC is funded from grant funding streams (53%), as well as a proportion of all senior challenge advisers, senior strategic staff and challenge advisers.

Chart 1 – Funding Source of Staffing Structure 2018-19



4.2 Central South Consortium Staffing Structure

The staffing structure at CSC was proposed by Price Waterhouse Cooper when the Consortium was established in September 2012 and provides support for the core functions of the national model for regional working as well as a staffing structure aligned to national priorities identified by Welsh Government (funded from grant funding streams).

The functions identified within the national model are in the majority funded from core contributions from the Local Authorities with the posts aligned to national strategic priorities, funded from grant. Wherever possible, the business support team is funded from grant funding streams (where terms and conditions of the grant allow).

Significant reductions to Business Support since the original structure was proposed in 2012 have taken place to ensure increased efficiencies.

5.0 Core Budget

Medium Term Financial Planning

This section of the report will provide a summary of the efficiency saving options over a number of years:

- Agreed Efficiency Savings 2018/19;
- Options for future efficiency savings for consideration

For information, a breakdown of the core budget can be found below:

Table 5: Breakdown of CSC Core Budget 2018/19

Core budget Category	Revised Budget 2018/19 £	Areas that the core budget funds
Employees	3,232,073	90% Challenge Advisers (20.5fte), 47% Senior Leadership Team (1.25fte), 85% Senior Challenge Advisers (5.95fte) and 17.5 fte Business Support staff
Premises	260,761	Rent, National Domestic Rates & Utilities, Maintenance
Transport	34,333	Travel / Relocation expenses (Part Year)
Supplies & Services	237,010	Continuing Professional Development, Mgt Information System, Stationery, Photocopying, Communications
Redundancy Costs	100,000	Annual costs
Support Services	120,230	SLA agreements with RCT (Payroll, Internal Audit, Payroll/Pensions, ICT, HR, Accountancy)
Gross Expenditure	3,984,407	Local Authority Contributions & Other Income

With specific regard to budgeted Employee costs funded from the core budget, Table 6 provides a more detailed breakdown:

Table 6 – Budgeted Employee Costs funded from the core budget (2018/19)

Positions	Employee Budget (£)	% of Total Employee Budget
Senior Challenge Advisers / Challenge Advisers	2,278,556	70.50
Senior Leadership Team	231,306	7.16
Business Support	693,770	21.46
Others (e.g. Conference Centre, Apprenticeship Levy etc.)	28,441	0.88
Total	3,232,073	100.00

With a further 2% cut to the core budget for 2018/19, individual contributions from Local Authorities are shown in Table 7 below. Final allocations for each Local Authority are based upon 2018/19 Indicator Based Assessments (IBA).

Table 7: Local Authority Contributions 2018/19

Authority	2018/19 IBA (%)	Local Authority Contribution
Bridgend	15.51%	605,892
Cardiff	36.19%	1,413,526
Merthyr Tydfil	6.31%	246,603
Rhondda Cynon Taf	27.29%	1,066,087
Vale of Glamorgan	14.70%	574,053
Total	100.00%	3,906,161

Local Authority contributions to CSC account for approximately 0.5% of total education budgets within each of the authorities across the region (between 4-6% of Local Authority retained budgets). A detailed breakdown can be found in Table 8:

Table 8: Stats Wales 2018-19 Budgets

Stats Wales 2018-19 Budgets						
	Total Education Budget	Schools	Local Authority	Local Authority Contribution to School Improvement Service	% of School Improvement contribution from Total Education Budget	% of School Improvement Contribution from LEA Retained Budget
	£'000	£'000	£'000	£'000		
Bridgend	123,637	111,196	12,441	606	0.49%	5%
Cardiff	303,393	280,655	22,738	1,414	0.47%	6%
Merthyr Tydfil	53,566	46,771	6,795	246	0.46%	4%
Rhondda Cynon Taf	223,813	196,416	27,397	1,066	0.48%	4%
Vale of Glamorgan	115,289	103,877	11,412	574	0.50%	5%
Total	819,698	738,915	80,783	3,906		

5.1 Efficiency Savings Delivered in financial year 2018/19

The majority of the core budget is allocated to fund salary costs and in order to present a balanced budget all short term efficiency savings have been realised; the following savings were agreed as part of setting the 2018/19 budget:

- Remodelling of Business Support Function (reduction of 2.5 FTEs);
- Relocation of CSC offices (Summer 2018) and removal of conference centre facilities (reduction of 7.5 FTEs); and
- General budget reductions.

These savings were presented to Joint Committee in December 2017 and a detailed breakdown of the savings can be found in Table 9. The Consortium realised £241k (circa 5.7%) of efficiency savings during 2018/19.

Table 9: Breakdown of efficiency savings in core budget 2018/19

Budget Category	Detail	Saving £
Shortfall in Budget		241,000
Employees	Restructure of Finance Team 1.5 FTE Governor Support realignment 1 FTE Removal of Conference Centre Staff 7.5 FTE CA Support for deputy head teacher appointments in Green & yellow schools removed Employment of Partner Heads to replace Consultants In Year Savings Found	(18,000) (33,000) (112,000) (16,000) (30,000) (77,000)
Premises	5/12 Occupation costs of Ty Dysgu	(180,000)
Supplies and Services	Pupil Level Data Base General Budget reductions	(60,000) (13,000)
Income	Loss of Conference Centre Income	298,000
Total Efficiency Saving		241,000

5.2 Core Budget Contributions (Medium Term)

In a period of continued austerity and pressure on local authority budgets, an option for consideration to reduce the CSC core budget is further reductions to local authority contribution levels. Table 10 illustrates a range of possible reduction levels for 2019/20.

Table 10: Modelled 2019/20 Core Budget

Core Budget Category	Cash Flat	2% CUT	3% CUT	5% CUT	10% CUT
	£	£	£	£	£
Employees	3,254,983	3,254,983	3,254,983	3,254,983	3,254,983
Repayment of Redundancy Costs	100,000	100,000	100,000	100,000	100,000
Apprenticeship Levy	13,948	13,948	13,948	13,948	13,948
Total Salary Costs	3,368,931	3,368,931	3,368,931	3,368,931	3,368,931
Premises	244,000	244,000	244,000	244,000	244,000
Transport	41,000	41,000	41,000	41,000	41,000
Supplies & Services	232,118	232,118	232,118	232,118	232,118
Support Services	120,230	120,230	120,230	120,230	120,230
Total Non-salary costs	637,348	637,348	637,348	637,348	637,348
Gross Expenditure	4,006,279	4,006,279	4,006,279	4,006,279	4,006,279
Gross Income	-3,935,061	-3,856,938	-3,817,876	-3,739,753	-3,544,445
Gross Position (Surplus) / Deficit	71,218	149,341	188,402	266,526	461,834
Budget Savings Approved	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Net Position (Surplus) / Deficit	(28,782)	49,341	88,402	166,526	361,834

5.3 Medium Term Financial Modelling

For medium term modelling purposes, Table 11 illustrates a 3% reduction in local authority contributions per year for 2019/20, 2020/21 and 2021/22 and indicates a cumulative budget gap of £436k.

Table 11: Modelled Medium Term Core Budget

	2019/20 (£k)	2020/21 (£k)	2021/22 (£k)
Base Budget	3,984	3,818	3,704
Less the part year effect of the previous year's Budget Strategy	-46	0	0
Revised Base Budget	3,938	3,818	3,704
Pay inflation	36	56	57
Employer Superannuation Cont	-31	0	0
Inescapable Demands	58	0	0
Non-pay inflation	5	5	5
Budget Requirement	4,006	3,879	3,767

<u>Resources</u>			
Member local authority contribution levels	3,789	3,675	3,565
Other Income	29	29	29
Total Resources Available	3,818	3,704	3,594
Original Budget Gap	188	175	173
Budget Savings Approved	100	0	0
Revised Budget Gap	88	175	173

Cumulative Budget Gap	436
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As mentioned previously in the report, it is important to address the core budget and the grant budgets available to the Consortium separately. Having addressed the core budget in Section 5, a report specific to grant funding will be presented to Joint Committee at a future meeting.

5.4 Local Authority Contributions (upto 2021/22) based on a 3% modelled reduction

The effect, by local authority, of a 3% modelled reduction in contribution levels is shown in Table 12.

Table 12 : Local Authority contribution levels based on a 3% reduction per year (2019/20 to 2021/22 and using 2018/19 as the baseline)

Local Authorities	2018/19 (baseline year) ² £k	2019/20 £k	2020/21 £k	2021/22 £k	Total Cumulative Reduction £k
Bridgend	605,892	587,715	570,083	552,981	52,911
Cardiff	1,413,526	1,371,121	1,329,987	1,290,087	123,439
Merthyr Tydfil	246,603	239,205	232,029	225,068	21,535
Rhondda Cynon Taf	1,066,087	1,034,105	1,003,082	972,989	93,098
Vale of Glamorgan	574,053	556,831	540,126	523,923	50,130
Total	3,906,161	3,788,977	3,675,307	3,565,048	341,113

5.5 Future core budget saving options

In addition to the savings identified to balance the core budget in 2018/19 (Table 9), the following options are also available for consideration:

- Further review of business support functions;
- Full cost recovery of functions that sit outside the National Model for regional working;

² Based on 2018/19 Indicator Based Assessment (IBA) – 2019/20 to 2021/22 subject to change pending publication of the respective IBA for the financial period

- Review and further realignment of Senior Management Team;
- Removal / reduction of the Local Authority Annex;
- Review of Senior Challenge Adviser functions and roles; and
- Review of Challenge Adviser functions and roles.

5.6 Options for consideration of Grant budget efficiency savings 2019/20

Due to the current uncertainty around grant funding levels for 2019/20 a report will be brought to Joint Committee in December 2018 for consideration.

5.7 In Year Redundancy Balances (as a result of efficiency options)

At the Joint Committee held on the 15th March 2018 an alternative approach, in line with the Legal Agreement, to the funding of the balance of outstanding redundancy costs incurred in previous financial years and future redundancy costs should they arise was agreed. The host authority's Chief Finance Officer has engaged with member local authorities to agree the revised approach which will enable the annual contribution of £100k to be removed from the revenue budget as from the 2019/20 financial year.

A number of possible future budget saving options (outlined above) may incur redundancy costs that will require funding by Local Authorities.

5.8 Historic Redundancy Balances³

The redundancy cost balance outstanding as at 1st April 2019 will be £737k. Members will recall that at the Joint Committee meeting held on the 14th June 2018, it was confirmed that all member local authorities have endorsed the approach and arrangements made for this to be incorporated into the Consortium's 2019/20 draft revenue budget when reported to the December 2018 Joint Committee meeting. The transfer of these costs to the constituent Local Authorities based on IBA %, which will reduce/remove the CSC budget commitment of £100k, can be found in Table 13.

Table 13: Local Authority Contribution towards historical redundancies costs

	18/19 IBA %	Total Local Authority contributions to fund the Balance £
Bridgend	15.51%	114,317
Cardiff	36.19%	266,699
Merthyr Tydfil	6.31%	46,528
Rhondda Cynon Taf	27.29%	201,145
Vale of Glamorgan	14.70%	108,310
Total		737,000

³ Historic Redundancy Balances – excludes costs incurred as a result of on-going restructuring in 2018/19

6.0 Background papers

- National Model for Regional Working
- RCSIG Terms and Conditions
- Central South Consortium Annual Accounts 2017/18

APPENDIX A: Monthly Meeting Schedules 2018/19

Directors Meetings	Joint Committee Meetings	Advisory Board Meetings
Autumn Term	Autumn Term	Autumn Term
14 th September 2018	13 th September 2018	10 th September 2018
12 th October 2018	19 th December 2018	
9 th November 2018		
14 th December 2018		
Spring Term	Spring Term	Spring Term
11 th January 2019	28 th March 2019	8 th January 2019
8 th February 2019		
8 th March 2019		
4 th April 2019		
Summer Term	Summer Term	Summer Term
3 rd May 2019	13 th June 2019	18 th June 2019
7 th June 2019		
5 th July 2019		