



Ein Rhanbarth ar Waith  
Education through Regional Working

# 2016-17 Revised Central Team Revenue Budget and Financial Monitoring Report

## 2017-18 Draft Central Team Revenue Budget

Director of Finance  
(ERW S151 Officer)

Cynghrair o 6 awdurdod lleol yw ERW a reolir gan gyd-bwyllgor cyfansoddiadol cyfreithiol.  
Y nod yw gweithredu strategaeth a chynllun busnes rhanbarthol cytunedig a chefnogi gwelliant ysgolion.

ERW is an alliance of 6 local authorities governed by a legally constituted joint committee.  
Its aim is to implement the agreed regional strategy and business plan to support school improvement.



## 1. Introduction

This report provides the Joint Committee with the following financial information:

- Revised 2016-17 Central Team Revenue Budget
- Draft 2017-18 Central Team Revenue Budget
- Reserves
- Grants
- 2016-17 Statement of Accounts & Annual Governance Statement

## 2. Central Team Revenue Budget

The Central Team revenue budget was approved by the Joint Committee in February 2016 and was amended in May 2016. The Central Team projected revenue outturn for 2016-17 and the draft revenue budget for 2017-18 are shown in the table below:

| ANNUAL EXPENDITURE   | 2016-17                               |                                 |   | 2017-18              |
|--|---------------------------------------|---------------------------------|---|----------------------|
|  | Approved Budget February 2016<br>£000 | Amended Budget May 2016<br>£000 | Projected Outturn February 2017<br>£000 | Draft Budget<br>£000 |
| <b>1. STAFFING COSTS</b>                                   |                                       |                                 |   |                      |
| Salaries   | 402                                   | 411                             | 358                                     | 439                  |
| Travel, Subsistence, Training & Development                | 10                                    | 5                               | 5                                       | 5                    |
|  | <b>412</b>                            | <b>416</b>                      | <b>363</b>                              | <b>444</b>           |
| <b>2. RUNNING COSTS</b>                                    |                                       |                                 |   |                      |
| Accommodation  | 33                                    | 33                              | 33                                      | 33                   |
| Stationery/Telephone/Printing/Copying/Equipment/IT         | 21                                    | 36                              | 30                                      | 21                   |
| Branding/Marketing   | -                                     | -                               |   | -                    |
| Translation  | 35                                    | 35                              | 35                                      | 35                   |
| Conference Support/Programme Costs                         | 10                                    | 10                              | 10                                      | -                    |
| Refund of Grant to WG                                      | -                                     | -                               | 9                                       | -                    |
|  | <b>99</b>                             | <b>114</b>                      | <b>117</b>                              | <b>89</b>            |
| <b>3. FACILITATION</b>                                     |                                       |                                 |   |                      |
| Service Level Agreements                                   | 40                                    | 40                              | 73                                      | 73                   |
|  | <b>40</b>                             | <b>40</b>                       | <b>73</b>                               | <b>73</b>            |
| <b>TOTAL ESTIMATED EXPENDITURE</b>                         | <b>551</b>                            | <b>570</b>                      | <b>553</b>                              | <b>606</b>           |
| <b>ANNUAL INCOME</b>                                       |                                       |                                 |   |                      |
| Local Authority Contributions                              | 250                                   | 250                             | 250                                     | 250                  |
| Other Income/Grants  | -                                     | -                               | 14                                      | 12                   |
| Grant Funding Administration                               | 150                                   | 150                             | 220                                     | 150                  |
| Clawback of Previous Year's Grant from Partner Authorities | -                                     | -                               | 9                                       | 0                    |
| Local Authority Reserve                                    | 151                                   | 170                             | 60                                      | 194                  |
| <b>TOTAL ESTIMATED INCOME</b>                              | <b>551</b>                            | <b>570</b>                      | <b>553</b>                              | <b>606</b>           |
| <b>NET EXPENDITURE</b>                                     | -                                     | -                               | -                                       | -                    |

**2.1 2016-17 Projected Revenue Outturn**

- 2.1.1 The reduction in the projected revenue outturn is due to salaries being lower than anticipated, an element of salaries being applied against grant funding and the HR secondee being funded wholly from grant.
- 2.1.2 Translation costs continue to be monitored closely and where allowable, relevant grant funding has been utilised to support these costs.
- 2.1.3 The projected reduction in expenditure combined with additional income from grants and an increase in grant funding administration income has resulted in a £110k reduction in the anticipated use of the local authority reserve.
- 2.1.4 One grant has been received in advance to fund a Research and Evaluation Officer over the next two years. This grant will be held on the ERW Balance Sheet at the year end 2016-17 and applied against the salary costs over the two year period.
- 2.1.5 During 2015-16, one Authority underspent its Pupil Deprivation grant allocation by £9k, which was confirmed when audited. This amount will be returned to ERW who will then refund the grant to Welsh Government.
- 2.1.6 The local authority reserve balance at the end of 2015-16 was £472k. During 2015-16, the Joint Committee agreed to create a working reserve of £100k to deal with any unexpected expenditure (e.g. late grant approvals) which left a local authority reserve of £372k. This will be reduced by an estimated £60k by the end of 2016-17.

**2.2 2017-18 Draft Revenue Budget**

- 2.2.1 The increase in revenue expenditure from 2016-17 is primarily due to additional salary costs, these being a cost of living increase, increments and an additional post as part of the Central Team. The Central Team now comprises of ten members of staff, four being wholly funded from grants and one being partly funded from grants, however, this may change as grant funding allows. The anticipated level of grant funding to support the administrative functions has been reduced by £70k, as only a limited number of grant funding has been confirmed at the time of writing this report, so there is a risk that this will not materialise.
- 2.2.2 The increase in Facilitation costs are due to a new communications Service Level Agreement (SLA) which includes the ERW web site. There are now 5 Service Level Agreements as detailed below:-

|                              | <i>£000's</i>    |
|------------------------------|------------------|
| Wales Audit Office           | 13               |
| Internal Audit               | 20               |
| Information Technology       | 10               |
| Human Resources              | 10               |
| Communications & Web Hosting | <u>20</u>        |
|                              | <b><u>73</u></b> |

- 2.2.3 The local authority reserve balance at the end of 2016-17 is estimated to be £312k with an anticipated use of £194k contribution to funding the Central Team Revenue Budget for 2017-18. The projected year end local authority reserve balance at the end of 2017-18 is estimated to be £118k (excluding the £100k working reserve). Every effort will need to be made during 2017-18 to keep with the Central Team revenue budget.

### 3. Contributions from Local Authorities

The Draft Central Team Revenue Budget for 2017-18 anticipates that the total annual contribution from the six partner local authorities will remain at £250k, as in previous years. The contribution will be pro-rated according to pupil numbers taken from Stats Wales, as shown in the table below:

|   | <b>Carms.</b>  | <b>Ceredigion</b> | <b>Neath<br/>Port-<br/>Talbot</b> | <b>Pembs.</b>  | <b>Powys</b>   | <b>Swansea</b> | <b>Total</b>    |
|---|----------------|-------------------|-----------------------------------|----------------|----------------|----------------|-----------------|
| <b>Local Authority Contribution 2016-17</b> | £52,500        | £18,500           | £40,000                           | £34,750        | £35,500        | £68,750        | £250,000        |
| <b>Value as a Percentage</b>                | 21.0%          | 7.4%              | 16.0%                             | 13.9%          | 14.2%          | 27.5%          | 100.0%          |
| <b>Pupil Numbers Stats Wales Jan 2016</b>   | 27,108         | 9,539             | 20,751                            | 17,716         | 17,997         | 35,818         | 128,929         |
| <b>Value as a Percentage</b>                | 21.0%          | 7.4%              | 16.1%                             | 13.7%          | 14.0%          | 27.8%          | 100.0%          |
| <b>Local Authority Contribution 2017-18</b> | <b>£52,500</b> | <b>£18,500</b>    | <b>£40,250</b>                    | <b>£34,250</b> | <b>£35,000</b> | <b>£69,500</b> | <b>£250,000</b> |

### 4. Reserves

#### 4.1 Local Authority Reserve

- 4.1.1 At 1 April 2016, the local authority reserve had a balance of £472k.
- 4.1.2 Wherever possible grant funding is used to support Central Team costs, thus reducing the burden on the local authority reserve. During 2016-17, ERW received various additional grant funding which has helped to reduce the anticipated use of the local authority reserve.
- 4.1.3 It is anticipated that the local authority reserve balance will be £312k at the end of 2016-17 and this will be carried forward to 2017-18. It is possible that this will fluctuate between now and the end of 2016-17 dependant on the receipt of additional grants.

4.1.4 The local authority reserve balance at the end of 2017-18 is projected to be £118k. Further work will need to be undertaken during 2017-18 to ensure the ongoing viability of the Central Team without the need to increase the Local Authority contributions in future years.

## 4.2 Working Reserve

4.2.1 As outlined above, the level of the local authority reserve is diminishing each year, with the likelihood of there being insufficient reserve remaining to balance the 2018-19 Central Team revenue budget, based on 2017-18 net cost. Due to this, the working reserve of £100k must be kept to deal with any future funding gap and unexpected expenditure.

## 5. Grants

### 5.1 2016-17 Grant Funding

The grants awarded to ERW for 2016-17, and those still subject to approval, are shown in the table below:

| <b>Grant 2016-17</b>                                | <b>Grant Awarded<br/>September 2016<br/>£000</b> | <b>Grant Awarded<br/>January 2017<br/>£000</b> | <b>Variance<br/>£000</b> |
|---|--|--|--------------------------|
| Education Improvement Grant                         | 38,179   | 38,876   | 697                      |
| Pupil Deprivation Grant                             | 22,758   | 22,758   | -                        |
| Schools Challenge Cymru – Tranche 3                 | 1,140  | 1,140  |                          |
| Schools Challenge Cymru – Tranche 2                 | 794  | 780  | (14)                     |
| GCSE- Tranche 2                                     | 914  | 914  | -                        |
| GCSE- Tranche 1                                     | 231  | 231  |                          |
| Pioneer Schools                                     | 1,813  | 1,873  | 60                       |
| Welsh Baccalaureate                                 | 50   | 27   | (23)                     |
| Literacy and Numeracy in Special Schools            | 25   | 25   | -                        |
| NQT Moderation                                      |  | 150  | 150                      |
| ALN Innovation                                      |  | 360  | 360                      |
| New Deal Funding                                    | 200  | 1,021  | 821*                     |
| Modern Foreign Language                             | 120  | 120  |                          |
| Learning in Digital CPD                             | 142  | 162  | 20                       |
| National Professional Qualification of Headteachers | 82   | 82   |                          |
| Implementing Successful Futures                     |  | 300  | 300*                     |
| British Council Grant                               |  | 11   | 11                       |
| All Wales Regional Working                          |  | 61   | 61                       |
| Securing Teacher Assessment                         | 46   | 48   | 2                        |
| Informal Use of Welsh                               |  | 91   | 91                       |
| Support for Head teachers                           |  | 21   | 21                       |
| <b>Total of Grants Awarded to ERW</b>               | <b>66,494</b>                                    | <b>69,051</b>                                  | <b>2,557</b>             |

\* Formal approval letters awaited.

Secondments of staff totalling £1.156m will be funded from the grants listed above plus £0.220m of the Central Team staffing costs during 2016-17.

## 5.2 2017-18 Grant Funding

5.2.1 The table below outlines the current information available in relation to grant funding for 2017-18. No formal grant offer letters have yet been received, so the figures are best estimates based on officer discussions with Welsh Government officials. Current estimated costs of seconded staff commitments of £1.373m will need be funded from the grants listed below plus £0.150m of the central team staff costs during 2016-17.

| <b>Grant 2017-18</b>                                | <b>Grant Awarded<br/>2016-17<br/>£000</b> | <b>Grant Indicative<br/>2017-18<br/>£000</b> |
|---|---|--|
| Education Improvement Grant                         | 38,876                                    | 37,752                                       |
| Pupil Deprivation Grant                             | 22,758                                    | 22,758                                       |
| Schools Challenge Cymru – Tranche 3                 | 1,140                                     | 39   |
| Schools Challenge Cymru – Tranche 2                 | 780                                       |  |
| GCSE- Tranche 2                                     | 914                                       |  |
| GCSE- Tranche 1                                     | 231                                       |  |
| Pioneer Schools                                     | 1,873                                     |  |
| Welsh Bacalaureate                                  | 27  | 15   |
| Literacy and Numeracy in Special Schools            | 25  |  |
| NQT Moderation                                      | 150                                       |  |
| ALN Innovation                                      | 360                                       | 360  |
| New Deal Funding                                    | 1,021                                     |  |
| Literacy and Numeracy                               |   | 100  |
| Modern Foreign Language                             | 120                                       | 120  |
| Leadership and Development                          |   | 2,000  |
| Learning in Digital CPD                             | 162                                       | 142  |
| National Professional Qualification of Headteachers | 82  | 200  |
| Implementing Successful Futures                     | 300                                       | 1000   |
| British Council Grant                               | 11  |  |
| All Wales Regional Working                          | 61  | 25   |
| Securing Teacher Assessment                         | 48  |  |
| Informal Use of Welsh                               | 91  | 91   |
| Support for Head teachers                           | 21  |  |
| <b>Total of Grants Awarded to ERW</b>               | <b>69,051</b>                             | <b>64,602</b>                                |

## 6. 2016-17 Statement of Accounts & Annual Governance Statement

6.1 The ERW Statement of Accounts for 2015-16 were drafted by 6 June 2016 and audited and approved by the end of July 2016, the first set of Local Authority 2015-16 accounts to be signed off in Wales. The ERW Annual Governance Statement for 2015-16 was similarly approved to the same timetable.

6.2 A similar timetable is planned for the production and approval of the ERW Statement of Accounts for 2016-17 and ERW Annual Governance Statement for 2016-17. It is anticipated

that the audit opinion and approval will take place at the Joint Committee meeting on 17 July 2017.

## **7. Recommendations**

**It is recommended that the Joint Committee:**

- (a) Approve the Projected Outturn Budget for 2016-17 and the use of £60k from the local authority reserve.**
- (b) Approve the Draft Budget for 2017-18, which includes a total contribution of £250k from the six local authorities and the utilisation of £194k from the local authority reserve.**
- (c) Note that the funding of the Central Team Revenue Budget for 2018-19 onwards will be via increased contributions from the six local authorities as there will be a limited balance remaining in the local authority reserve.**
- (d) Note the grants awarded to ERW for 2016-17 and indicative grants for ERW in 2017-18.**
- (e) Approve the proposed timescale for the production, audit and approval of the ERW Statement of Accounts and ERW Annual Governance Statement for 2016-17.**