



Ein Rhanbarth ar Waith
Education through Regional Working

ERW Financial Update Quarter 1 - 2017-18

June 2017

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 has been considered by the ERW Executive Board and provides the Joint Committee with a financial update as at Quarter 1 - 2017-18.

2. 2017-18 Central Team Revenue Budget

The 2017-18 Central Team revenue budget was approved by the Joint Committee at its meeting on 20 February 2017. While we need to limit the number of budget amendments during the year, reality and changing circumstances will inevitably mean that revisions will be needed as we respond to changes in funding from Welsh Government.

The Outturn report for 2016-17 has resulted in an additional £70k of resources being transferred to reserves. Full movement of reserves is shown at point 4.

The current position as at Quarter 1 is shown in the table on the next page and is effectively an updated projected Outturn position for 2017-18 based on current information and projections, and will be reported to the Joint Committee on the 17 July 2017 for approval. The table also shows draft indicative budgets for 2018-19 and 2019-20.

Key changes are:-

- A £38k increase in central team salary costs, due to the additional cost of the Head of Leadership.
- An additional £9k of accommodation costs, due to recognising the need to hire more rooms for training due to staffing requirements in current accommodation.
- A £26k reduction in stationery and translation costs, due to grant eligibility.
- Additional costs of £44k in relation to the systems development of Rhwyd and Dolen are due to the improved information and system used to support school improvement.
- Additional SLA costs of £55k, due to Local Authorities based on full cost recharge for the services they provide to ERW. This represents a fairer appreciation of the costs of administering the region. The final costs for the Procurement SLA are not available. The individual SLA's are as follows:-

	<i>£000's</i>
Procurement	TBA
Human Resources & Payroll	10
Internal Audit	20
Finance	32
Information Technology	23
Communications	23
Democratic Services	2
Scrutiny	5
Wales Audit Office Audit of Accounts	<u>13</u>
	<u>128</u>

Additionally the following Statutory Officers time is provided free of charge:

- Lead Chief Executive Officer
 - Lead Education Director
 - Finance S151 Officer
 - Monitoring Officer
- An £8k reduction in grant income.
 - It is anticipated that £326k of central costs will be recoverable from various grant funding sources in 2017-18.

The planned use of reserves for 2017-18 is £145k, a reduction of £49k.

ANNUAL EXPENDITURE CORE CENTRAL TEAM BUDGET	2017-18 Approved Budget February 2017	2017-18 Projected Outturn Budget As at June 2017	2018-19 Draft Budget	2019-20 Draft Budget
	£000's	£000's	£000's	£000's
1. STAFFING COSTS				
Salaries	439	477	483	488
Travel, Subsistence, Training & Development	5	4	4	4
	444	481	487	492
2. RUNNING COSTS				
Accommodation	33	42	42	43
Stationery/Telephone/Printing/Copying/Equipment/IT	21	10	10	11
Translation	35	20	20	21
Conference Support/Programme Costs	0	0	0	0
Rhwyd and Dolen Developments	0	44	44	44
	89	116	116	119
3. FACILITATION				
Service Level Agreements	73	128	129	130
	73	128	129	130
TOTAL ESTIMATED EXPENDITURE	606	725	732	741
ANNUAL INCOME				
Local Authority Contributions	250	250	250	250
Other Income/Grants	12	4	4	4
Grant Funding Administration	150	326	330	334
TOTAL ESTIMATED INCOME	412	580	584	588
NET EXPENDITURE	194	145	148	153
Appropriation from Reserve	(194)	(145)	(148)	(153)

3. 2017-18 Grant Allocations

(a) The Joint Committee was advised at its meeting on 20 February 2017 of grant allocations for 2017-18 totalling £64,602k. The grant allocations have now increased to £68,078k as shown in the table below. However many are indicative figures where offer letters and full terms and conditions have not been received. The level of uncertainty surrounding significant amounts of funding well into the first quarter of the financial year is very unsatisfactory and a significant risk to the region and the education system as a whole and can only be detrimental to the effort of raising standards.

Grant Name	2017-18 Allocation February 2017 £000	2017-18 Revised Allocation June 2017 £000	Commentary
Education Improvement Grant (EIG) & extended EIG	37,752	38,712	Grant offer letter received for most of the funding
Pupil Deprivation Grant	22,758	23,911	Grant offer letter received
Schools Challenge Cymru – Tranche 3	39	21	End of Programme funding to end of academic year 2016-17
ALN Innovation	360	300	Offer Letter received
Leadership	2,000	408	
Successful Futures	1,000	2,476	Offer Letter received
Digital Skills	-	87	
Learning in Digital Wales CPD	142	142	Offer Letter received
Modern Foreign Language	120	-	
NPQH	200	233	Amount dependant on new head teacher appointment
Welsh Baccalaureate	15	15	Carry over funding from last year
Oracy Scheme for Wales	-	204	
Literacy & Numeracy	100	-	
Informal Use of Welsh	91	243	
Graduate Teacher Programme (GTP)	-	50	
Literacy, Numeracy & MFL	-	-	
National Network of Excellence for Science and Technology and maths	-	255	
Foundation phase network	-	50	
Digital Competence – Professional learning Offer	-	107	Offer Letter received
Clusters of Learning	-	378	
HLTA	-	210	
Cross regional Working	25	216	
Research and evaluation	-	60	
	-	-	
Total	64,602	68,078	

At the time of writing this report it should be noted that final instalments of two significant Welsh Government grants remained unpaid for 2016-17, totalling £2.625m, with a further £0.534m only being paid in June 2017.

This puts additional financial pressure on lead banker for the region, at a time when Local Authorities are under increasing financial pressure.

(b) Seconded Staff

Appendix A lists the current seconded staff ERW is committed to paying for, totalling £1.788m, which are to be funded from the grants listed above. The number of seconded staff is expected to increase this year as the cluster leaders of learning model is rolled out. Estimated costs for this year are £1.246m with a further commitment to fund £2m next year. The full academic cost of providing 50 clusters of learning is £3.250m. Final grant funding allocations need to be agreed before the Joint Committee in July 2017 to allow the project to commence in September 2017.

4. Reserves

The table below shows the implications on the Reserves from April 2016 and last year's movements, resulting in total reserves of £ 542k. However the effect of the next three years budgets will result in the reserves being depleted by £446k leaving just £96k in the working reserve for unforeseen events. Clearly this is unsustainable and will need to be addressed during next budget setting cycle.

Useable Reserves		General Reserve	Working Reserve	Total Reserves
Balance	1 April 2016	472		472
2016-17	from revenue transfer	70		70
		-100	100	0
Balance	31 March 2017	442	100	542
2017-18	To Revenue	-145		-145
Balance	31 March 2018	297	100	397
2018-19	To Revenue	-148		-148
Balance	31 March 2019	149	100	249
2019-20	To Revenue	-149	-4	-153
Balance	31 March 2020	0	96	96

5. Recommendations

- The Joint Committee note the ERW Financial Update Quarter 1 2017-18.
- The Joint Committee approve the changes to the ERW Central Team Revenue Budget and ERW reserves for 2017-18 and future years.
- The Joint Committee note the significant amount of grant income the region is to receive this financial year but expresses concern that final offer letters remain outstanding.
- The Joint Committee note the significant risk to the region given the uncertainty that continues to surround the approval of several grant funding streams.
- The Joint Committee note the significant risk to the region given the amount of core funding it receives and the effect on the regions reserves over the medium term.