



Ein Rhanbarth ar Waith
Education through Regional Working

ERW Financial Update 2018-19

16 October 2018

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 presents the Joint Committee with a financial update at 31 August 2018.

2. 2018-19 Central Team Budget

The 2018-19 Central Team budget was approved by the Joint Committee on 21 March 2018. Whilst it is accepted that 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.

Following a recommendation from the Joint Committee on 21 September 2017, centrally funded employees and secondments are shown separately under each Business Plan 2018-19 priority to make it clearer where they are being funded from (see pages 7 to 11).

It has been noted that grant dependency, leading to the lack of resilience in staffing and capacity, is a high risk.

Service Level Agreements (SLA's)

All SLA's have been reviewed in order to provide full cost recovery for the Authority providing the service. For 2018-19 the breakdown is as follows:

SLA's	Budgeted Cost
Committee Services (Carmarthenshire)	£5,000
Scrutiny (Swansea)	£2,400
Finance (Pembrokeshire)**	£27,000
Internal Audit (Pembrokeshire)	£20,000
Human Resources (Pembrokeshire)	£26,164
Information Technology (Pembrokeshire)	£46,000
Procurement (Pembrokeshire)	£15,000
Insurance (Pembrokeshire) ***	*£20,000
Communications ****	*£20,000
Total Budgeted SLA's	£181,564

*	Estimated.
**	At the end of 2017-18, there was £10.2m owed to ERW by Welsh Government, At the time of writing this report, £247k remains outstanding. The cost of the Finance SLA may have to increase if Pembrokeshire continues to bankroll ERW.
***	Officers are investigating whether the Joint Committee requires its own insurance policies, e.g. Professional Indemnity.
****	Service previously provided by Carmarthenshire.

	2018-19 Projected Outturn at July 2018 £000's	2018-19 Projected Outturn at 31 August 2018 £000's	Actual Income / Expenditure 31 August 2018 £000's	Committed £000's
Core Budgeted Expenditure				
Staffing Costs				
Salaries, Secondments, Specialists	58	58	14	44
Core Central Staff Salaries to be Recharged	387	387	186	201
Travel, Subsistence, Training and Development	6	6	6	-
IT Hardware & Mobiles	1	1	-	1
	452	452	206	246
Development and Running Costs				
Rent and Accommodation	32	32	11	21
Stationary, Telephone, Photocopying	11	11	5	6
Translation	10	10	1	9
Software, Marketing, R&E,	32	32	3	29
Service Level Agreements	182	182	-	182
Professional Learning	-	-	-	-
External Audit	14	14	-	14
	281	281	20	261
Total Estimated Expenditure	733	733	226	507
Core Budgeted Income				
Local Authority Contributions	250	250	210	40
Other Income	4	4	-	4
Grant Funding Administration	397	397	186	211
Total Estimated Income	651	651	396	255
Core Net Expenditure	82	82	(170)	252
Appropriation from Reserve	(82)	(82)	170	(252)

- All office costs are primarily costed to the Core Central Team and where appropriate, the costs are recharged to various grants.
- It is anticipated that £387k of Core Central Team costs will be recoverable from various grant funding sources in 2018-19, a similar level to 2017-18.
- The planned use of reserves for 2018-19 remains at £82k.
- The rent and accommodation budget does not include
 - a) The additional facilities costs from September 2018 for the current accommodation at Y Llwyfan.
 - b) The cost of additional accommodation approved by the Lead Chief Executive in August 2018.

At the time of writing this report negotiations are still on going with the landlord.

- The 2018-19 budget has been prepared on the basis of the total annual contribution from the six Local Authorities remaining at £250k, as in previous years. At the date of writing this report £210k of this has been received, Neath Port Talbot's element of £40k is outstanding.

The Joint Committee was informed on 21 March 2018 that Neath Port Talbot County Council's budget was prepared without budget provision being made for their core ERW contribution. The Lead Chief Executive wrote to Neath Port Talbot and their reply was attached in the last Joint Committee report. This matter has not yet been resolved so it is unknown whether their contribution will be received. Resolution of this issue is a pre-requisite condition of the RCSIG grant funding from Welsh Government (Annex 2).

3. 2018-19 Grant Allocations

	2018-19 Grant Offer £000's	Spent 2017-18 £000's	2018-19 Budget £000's
Regional Consortia School Improvement Grant (RCSIG)			
Curriculum and Assessment	919	-	919
Developing a High Quality Education Profession	4,474	-	4,474
Developing a High Quality Education -EIG	33,609	-	33,609
Leadership	329	-	329
Self-Improving System	568	-	568
Strong and Inclusive Schools	-	-	-
Total RCSIG Grant	39,899	-	39,899
RCSIG Academic 2017-18 *	822	185	637
Review and Reform 2017-2018 (Separated for Transparency)	250	63	187
Total of RCSIG Offer Letter 2018-19	40,971	248	40,723
Pupil Development Grant (PDG)			
PDG			23,233
LAC PDG			1,100
Total of PDG Offer Letter 2018-19			24,333
British Council			13
2017-18 Academic Grants Residual Balances			
Siarter Iaith *			190
NPQH *			113
NQHT *			585
A level *			37
			925
Total 2018-19 Grants			65,994

*These are 2017-18 grants which span the academic year September 2017 – August 2018. This money was committed to be spent between April – August 2018 in line with the 2017-18 ERW Business Plan. Due to the recent financial delays some of this money has not been spent, a request has been made to Welsh Government to spend this money post August 2018, which has now been accepted.

4. 2018-19 Grants

4.2 Regional Consortia School Improvement Grant (RCSIG)

The revised RCSIG is allocated according to the National Ministerial Priorities. Grants received are allocated according to the ERW Business Plan 2018-19 priorities:

- Curriculum and Assessment (4.3)
- Developing the Profession (4.4)
- Leadership (4.5)
- School Improvement (4.6)
- Strong and Inclusive Schools (4.7)

The terms and conditions of the grant are carefully adhered to, and wherever possible clear links are made between grants to enable greater value for money when planning expenditure.

The intention of the new RCSIG is that it will be distributed bi-monthly to the lead banker. This has not happened due to the non-compliance with terms and conditions, therefore there are cash flow implications. The Bi monthly distributions are a key improvement by Welsh Government which we welcome. It allows for greater flexibility and supports us to delegate more resources to schools where possible, to build capacity.

This report and the financial information contained within it should be considered alongside the ERW Business Plan 2018-19. Since the last Joint Committee, the Business Plan has been amended and sent to Welsh Government and due to this further changes to link the budget to the Business Plan Priorities will need to be undertaken.

As detailed in the previous report, since January 2018, ERW's procurement support has been formally provided by Pembrokeshire County Council with 3 key items of work currently in progress:

1. A framework for support services to support school improvement.
2. Procurement arrangements for larger programmes eg. TTRockstars.
3. Procurement of system support.

4.3 Curriculum and Assessment

Curriculum and Assessment Budgeted Income	2018-19 Projected Income £000's	Actual Income at 31 August 2018 £000's	
RCSIG Curriculum & Assessment 2018-19	919		-
Siarter laith 2017-18 Academic	190		190
Total Estimated Income	1,109		190
Curriculum and Assessment Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure 31 August 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	701	101	600
Core Central Staff	48	20	28
Travel, Subsistence, Training and Development	7	1	6
IT Hardware & Mobiles	3	1	2
	759	123	636
Development and Running Costs			
Accommodation & Venue Hire	13	1	2
Stationary, Telephone, Photocopying	-	-	-
Translation	8	-	2
Software, Marketing, R&E,	-	-	-
Professional Learning	-	-	-
	21	1	4
Delegated to Schools			
Passported on WG Instruction	120	-	120
Regional Support, Support Work, Task	209	1	-
	329	1	120
Delegated to Local Authorities	-	-	-
Unallocated Funds	-	-	-
Total Estimated Expenditure	1,109	125	760

4.4 Developing the Profession

Developing the Profession Budgeted Income	2018-19 Projected Income £000's	Actual Income at 31 August 2018 £000's	
RCSIG Developing the Profession 2018-19	4,474		-
RCSIG Developing the Profession 2018-19 EIG	33,609		-
RCSIDG Developing the Profession (Academic)	637		-
Alevel 2017-18	37		37
British Council	13		13
Total Estimated Income	38,770		50
Developing the Profession Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure 31 August 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	3,184	437	2,747
Core Central Staff	148	61	87
Travel, Subsistence, Training and Development	144	77	17
IT Hardware & Mobiles	24	24	-
	3,500	599	2,851
Development and Running Costs			
Accommodation & Venue Hire	26	2	2
Stationary, Telephone, Photocopying	3	1	-
Translation	51	6	5
Software, Marketing, R&E,	80	-	-
Professional Learning	480	19	113
	640	28	120
Delegated to Schools			
Passported on WG Instruction	1,410	-	1,410
Regional Support, Support Work, Task	585	-	318
	1,995	0	1,728
Delegated to Local Authorities	32,635	0	32,635
Unallocated Funds	-	-	-
Total Estimated Expenditure	38,770	627	37,334

4.5 Leadership

Leadership Budgeted Income	2018-19 Projected Income £000's	Actual Income at 31 August 2018 £000's	
RCSIG Leadership 2018-19	329		-
NPQH 2017-18 Academic	113		113
NQHT 2017-18 Academic	585		585
Total Estimated Income	1,027		698
Leadership Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure 31 August 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	240	26	214
Core Central Staff	75	30	45
Travel, Subsistence, Training and Development	8	5	3
IT Hardware & Mobiles	1	-	1
	324	61	263
Development and Running Costs			
Accommodation & Venue Hire	52	-	10
Stationary, Telephone, Photocopying	-	-	-
Translation	3	1	1
Software, Marketing, R&E,	-	-	-
Professional Learning	12	4	
	67	5	11
Delegated to Schools			
Passported on WG Instruction	-	-	-
Regional Support, Support Work, Task	636	89	541
	636	89	541
Delegated to Local Authorities	-	-	-
Unallocated Funds	-	-	-
Total Estimated Expenditure	1,027	155	815

4.6 School Improvement

School Improvement Budgeted Income	2018-19 Projected Income £000's	Actual Income at 31 August 2018 £000's	
RCSIG School Improvement 2018-19	568	-	
Total Estimated Income	568	0	
School Improvement Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure 31 August 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	191	35	156
Core Central Staff	87	32	55
Travel, Subsistence, Training and Development	4	2	2
IT Hardware & Mobiles	7	-	7
	289	69	220
Development and Running Costs			
Accommodation & Venue Hire	26	-	5
Stationary, Telephone, Photocopying	-	-	-
Translation	5	-	1
Software, Marketing, R&E,	80	4	76
Professional Learning	168	2	-
	279	6	82
Delegated to Schools			
Passported on WG Instruction	-	-	-
Regional Support, Support Work, Task	-	-	-
Delegated to Local Authorities			
	-	-	-
Unallocated Funds			
	-	-	-
Total Estimated Expenditure	568	75	302

4.7 Strong and Inclusive Schools

Strong and Inclusive Schools Budgeted Income	2018-19 Projected Income £000's	Actual Income at 31 August 2018 £000's	
PDG	23,233		-
LAC PDG	1,100		-
Total Estimated Income	24,333		0
Strong and Inclusive Schools Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure 31 August 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	114	45	69
Core Central Staff	-	-	-
Travel, Subsistence, Training and Development	6	2	4
IT Hardware & Mobiles	3	-	3
	123	47	76
Development and Running Costs			
Accommodation & Venue Hire	13	-	3
Stationary, Telephone, Photocopying	-	-	-
Translation	1	-	1
Software, Marketing, R&E,	-	-	-
Professional Learning	38	-	-
	52	0	4
Delegated to Schools			
Passported on WG Instruction	-	-	-
Regional Support, Support Work, Task *	641	-	641
Delegated to Local Authorities *	23,517	0	23,517
Unallocated Funds	-	-	-
Total Estimated Expenditure	24,333	47	24,238

* The distribution of the LAC PDG element of the grant was agreed in the last Joint Committee meeting, further to this, 7/12ths of the LAC PDG available for distribution has been moved from Delegated to Local Authorities to Regional Support, Support Work, Task.

5. ERW Review and Reform Programme

The Joint Committee agreed on 21 September 2017 to commence the ERW Review and Reform Programme, resulting in the appointment of a Programme Team under the leadership of the Lead Chief Executive.

Welsh Government have provided support of £250k to the ERW Joint Committee to facilitate the ERW Review and Reform Programme.

£63k was spent in 2017-18, with projected expenditure for 2018-19 of £154k with £33k unallocated, as shown in the table below.

As detailed below, only £86k of this money has been spent to the end of August 2018, a request has been made to Welsh Government to enable us to continue to spend this money post August 2018 as this was a 2017-18 academic grant, which has been accepted.

Review and Reform Budgeted Income	2018-19 Projected Income £000's	Actual Income at 31 August 2018 £000's	
Review and Reform	187	-	
Total Estimated Income	187	0	
Review and Reform Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure 31 August 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	67	62	5
Core Central Staff	29	23	6
Travel, Subsistence, Training and Development	-	-	-
IT Hardware & Mobiles	2	-	2
	98	85	13
Development and Running Costs			
Accommodation & Venue Hire	4	1	1
Stationary, Telephone, Photocopying	-	-	-
Translation	2	-	1
Software, Marketing, R&E,	50	-	-
Professional Learning	-	-	-
	56	1	2
Delegated to Schools			
Passported on WG Instruction	-	-	-
Regional Support, Support Work, Task	-	-	-
Delegated to Local Authorities	-	-	-
Unallocated Funds	33		
Total Estimated Expenditure	187	86	15

6. Risks

This report, in a similar vein to previous Financial Updates, highlights risks for ERW. The high cost of secondments (see Annex 1) and the growing expectations on ERW are well known. This is reflected in the Review and Reform Programme recommendations from previous meetings and Welsh Government supporting ERW with additional resources. Estyn have also identified the matter as contributing to hindering progress.

The ERW Reserves are diminishing as outlined below so the Joint Committee need to determine how to replenish them, either with a one-off contribution from the six Local Authorities or an increase in the existing £250k annual contribution.

To ensure funding from the RCSIG grant we need to ensure compliance with the pre-conditions set out in the revised grant offer letter (Annex 2) under pages 4 and 21. Failure to sign the grant offer letter as soon as possible will lead to further delay in distribution of funding to schools, Local Authorities and risk of financial failure.

7. Reserves

The table below shows the projected implications on ERW Reserves from 2017-18 to 2018-19. Despite having a healthy reserve balance of £406k at the commencement of 2017-18, the annual contribution to the cost of the Central Team and the contribution to the Pension Reserve could effectively wipe out the Reserves by the end of 2018-19.

Useable Reserves	Earmarked Joint Committee Reserves £000's	General Working Reserve £000's	Pensions Reserve £000's	Total Reserves £000's
Balance 31 March 2017	442	100	-136	406
2017-18 To Revenue	-60		-156	-216
Balance 31 March 2018	382	100	-292	190
2018-19 To Revenue	-82			-82
Balance 31 March 2019	300	100	-292	108

8. Recommendations

1. The Joint Committee notes the Central Team budget for 2018-19 and the anticipated future additional accommodation and facilities costs.
2. The Joint Committee determine the action to be taken in the event of Neath Port Talbot County Council not paying their share of the £250k Local Authority Contribution for 2018-19.
3. The Joint Committee note the revised 2018-19 (Annex 2) grant allocations and current issues in meeting some of the RCSIG terms and conditions and determine further action required.
4. The Joint Committee note the provisional allocation of the RCSIG to the ERW Business Plan 2018-19 priorities, and that further work will need to be undertaken.
5. The Joint Committee approve the allocation of the remainder of the £250k Welsh Government funding for the Review and Reform Programme.
6. The Joint Committee determine how to replenish the ERW Reserves, either with a one-off contribution from the six Local Authorities or an increase in the existing £250k annual contribution.