



Ein Rhanbarth ar Waith
Education through Regional Working

ERW Financial Update 2018-19

8 February 2019

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 30 November 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 6 to 12).

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)	£5,000
Finance (Pembrokeshire)	£31,357
Internal Audit (Pembrokeshire)	£20,000
Human Resources (Pembrokeshire)	£10,000
Information Technology (Pembrokeshire)	£24,000
Procurement (Pembrokeshire)	£15,000
Insurance (Pembrokeshire)	-
Communications	-
Total Budgeted SLA's	£110,357

The projected outturn for SLAs shows a saving of £72k due to the non-requirement for Insurance and Communications SLAs and a reduction in the HR and IT core service SLA.

The Joint Committee has requested that expressions of interest be sought from the six Local Authorities in respect of providing these services in 2019-20.

	2018-19 Projected Outturn at 31 August 2018 £000's	2018-19 Revised Projected Outturn £000's	Actual Income / Expenditure November 2018 £000's	Committed £000's
Core Budgeted Expenditure				
Staffing Costs				
Salaries, Secondments, Specialists	58	56	37	19
Core Central Staff Salaries to be Recharged	387	441	257	184
Travel, Subsistence, Training and Development	6	7	6	1
IT Hardware & Mobiles	1	1	1	-
	452	505	301	204
Development and Running Costs				
Rent and Accommodation	32	61	34	27
Stationary, Telephone, Photocopying	11	11	8	3
Translation	10	10	7	3
Software, Marketing, R&E,	32	32	31	1
Service Level Agreements	182	110	5	105
Professional Learning	-	-	-	-
External Audit	14	14	-	14
Refund to Welsh Government	-	7	-	7
	281	245	85	160
Total Estimated Expenditure	733	750	386	364
Core Budgeted Income				
Local Authority Contributions	250	250	210	40
Other Income	4	4	-	4
Grant Funding Administration	397	451	257	194
Total Estimated Income	651	705	467	238
Core Net Expenditure	82	45	(81)	126
Appropriation from Reserve	(82)	(45)	81	(126)

- 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 £451k of Core Central Team costs will be recoverable from various grant funding sources in 2018-19. This has increased from

previous projected amounts due to the MD being recharged to service review.

- The planned use of reserves for 2018-19 has reduced to £45k, this has resulted in a reduction of £37k in the use of reserves.
- 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 a previous Joint Committee report. This matter has not yet been resolved. Resolution of this issue was a pre-requisite condition of the RCSIG grant funding from Welsh Government for 2018-19.

At the Joint Committee meeting on 16 October 2018, it was agreed "that a further report be submitted to determine what action can be taken in the event of Neath Port Talbot County Council not paying its share of the £250k Local Authority Contribution for 2018-19". The ERW Monitoring Officer will provide the Joint Committee with an update at the meeting.

3. 2018-19 Grant Allocations

	2018-19 As Reported October 2018 £000's	** Variations Received to November 2018 £000's	2018-19 Revised Budget £000's
Regional Consortia School Improvement Grant (RCSIG)			
Curriculum and Assessment	919	-	919
Developing a High Quality Education Profession	4,474	3,188	7,662
Developing a High Quality Education -EIG	33,609	-	33,609
Leadership	329	200	529
Self-Improving System	568	48	616
Strong and Inclusive Schools	-	-	-
Total RCSIG Grant	39,899	-	43,335
RCSIG Academic 2017-18 *	637	-	637
Review and Reform (Separated for Transparency) ***	187	62	249
Total of RCSIG Offer Letter 2018-19	40,723	3,498	44,221
Pupil Development Grant (PDG)			
PDG	23,233	159	23,392
LAC PDG	1,100	-	1,100
Total of PDG Offer Letter 2018-19	24,333	159	24,492
British Council	13	-	13
Education Workforce Council	-	506	506
2017-18 Academic Year Grants Residual Balances			
Siarter Iaith *	190	-	190
NPQH *	113	-	113
NQHT *	585	-	585
A level *	37	-	37
	925	-	925
Total 2018-19 Grants	65,994	4,163	70,157

*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 was made to Welsh Government to spend this money post August 2018, which was accepted.

** Approval letter attached at Appendix 2 received 26.11.18.

*** The variation received in Appendix 2 included £70k for this particular element although since this offer letter the amount has been reduced to £62k

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. Due to compliance issues at the beginning of the year ERW did not receive any grant until 27 October 2018 causing 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.

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
3. Procurement of system support.

4.3 Curriculum and Assessment

Curriculum and Assessment Budgeted Income	2018-19 Projected Income £000's	Actual Income at November 2018 £000's	
RCSIG Curriculum & Assessment 2018-19	919	522	
Siarter laith 2017-18 Academic	190	190	
Total Estimated Income	1,109	712	
Curriculum and Assessment Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure November 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	744	242	502
Core Central Staff	37	29	8
Travel, Subsistence, Training and Development	5	5	-
IT Hardware & Mobiles	2	1	1
	788	277	511
Development and Running Costs			
Accommodation & Venue Hire	6	5	1
Stationary, Telephone, Photocopying	-	-	-
Translation	8	4	4
Software, Marketing, R&E,	-	-	-
Professional Learning	-	-	-
	14	9	5
Delegated to Schools			
Passported on WG Instruction	120	70	50
Regional Support, Support Work, Task	17	-	17
	137	70	67
Delegated to Local Authorities	170	-	170
Unallocated Funds	-	-	-
Total Estimated Expenditure	1,109	356	753

4.4 Developing the Profession

Developing the Profession Budgeted Income	2018-19 Projected Income £000's	Actual Income at November 2018 £000's	
RCSIG Developing the Profession 2018-19	4,474	2,566	
RCSIG Additional Funding November 2018	3,188	-	
RCSIG Developing the Profession 2018-19 EIG	33,609	19,605	
RCSIDG Developing the Profession (Academic)	637	637	
Alevel 2017-18	37	37	
British Council	13	13	
Total Estimated Income	41,958	22,858	
Developing the Profession Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure November 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	3,187	1,351	1,836
Core Central Staff	112	80	32
Travel, Subsistence, Training and Development	88	73	15
IT Hardware & Mobiles			
	3,387	1,504	1,883
Development and Running Costs			
Accommodation & Venue Hire	26	5	21
Stationary, Telephone, Photocopying	3	2	1
Translation	31	16	15
Software, Marketing, R&E,	20	4	16
Professional Learning	353	104	249
	433	131	302
Delegated to Schools			
Passported on WG Instruction	2,150	870	1,280
Regional Support, Support Work, Task	939	22	917
	3,089	892	2,197
Delegated to Local Authorities	35,100	19,037	16,063
Unallocated Funds	-	-	-
Total Estimated Expenditure	42,009	21,564	20,445

4.5 Leadership

Leadership Budgeted Income	2018-19 Projected Income £000's	Actual Income at November 2018 £000's	
RCSIG Leadership 2018-19	329	188	
RCSIG Additional Funding November 2018	200	-	
NPQH 2017-18 Academic	113	113	
NQT 2017-18 Academic	585	585	
NQT 2018-19	506	177	
Total Estimated Income	1,733	1,063	
Leadership Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure November 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	194	124	70
Core Central Staff	132	86	46
Travel, Subsistence, Training and Development	8	8	-
IT Hardware & Mobiles	2	-	2
	336	218	118
Development and Running Costs			
Accommodation & Venue Hire	4	1	3
Stationary, Telephone, Photocopying	2	-	2
Translation	3	2	1
Software, Marketing, R&E,	-	-	-
Professional Learning	160	10	150
	169	13	156
Delegated to Schools			
Passported on WG Instruction	-	-	-
Regional Support, Support Work, Task	1,228	153	1075
	1,228	153	1,075
Delegated to Local Authorities	-	-	-
Unallocated Funds	-	-	-
Total Estimated Expenditure	1,733	384	1,349

4.6 School Improvement

School Improvement Budgeted Income	2018-19 Projected Income £000's	Actual Income at November 2018 £000's	
RCSIG School Improvement 2018-19	568	330	
RCSIG Additional Funding November 2018	48	-	
Total Estimated Income	616	330	
School Improvement Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure November 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	291	146	145
Core Central Staff	46	35	11
Travel, Subsistence, Training and Development	6	2	4
IT Hardware & Mobiles	5	-	5
	348	183	165
Development and Running Costs			
Accommodation & Venue Hire	26	2	24
Stationary, Telephone, Photocopying	2	-	2
Translation	5	1	4
Software, Marketing, R&E,	-	-	-
Professional Learning	30	5	25
	63	8	55
Delegated to Schools			
Passported on WG Instruction			
Regional Support, Support Work, Task	205	55	150
Delegated to Local Authorities	-	-	-
Unallocated Funds	-	-	-
Total Estimated Expenditure	616	246	370

4.7 Strong and Inclusive Schools

Strong and Inclusive Schools Budgeted Income	2018-19 Projected Income £000's	Actual Income at November 2018 £000's	
PDG	23,233	-	
LAC PDG	1,100	-	
Additional PDG Funding	159	-	
Total Estimated Income	24,492	-	
Strong and Inclusive Schools Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure November 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	113	71	42
Core Central Staff	-	-	-
Travel, Subsistence, Training and Development	5	2	3
IT Hardware & Mobiles	1	-	1
	119	73	46
Development and Running Costs			
Accommodation & Venue Hire	-	-	-
Stationary, Telephone, Photocopying	-	-	-
Translation	1	-	1
Software, Marketing, R&E,	-	-	-
Professional Learning	55	-	55
	56	-	56
Delegated to Schools			
Passported on WG Instruction	-	-	-
Regional Support, Support Work, Task *	103	-	103
Delegated to Local Authorities *	24,214	-	24,214
Unallocated Funds	-	-	-
Total Estimated Expenditure	24,492	73	24,419

*The LAC PDG was initially intended to be spent via ERW from September 2018. This has not happened so these updated budgeted figures now show the full year LAC PDG as delegated to Local Authorities.

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.

As detailed below, only £85k of this money has been spent to the end of November 2018, but all except £30k has been allocated.

Review and Reform Budgeted Income	2018-19 Projected Income £000's	Actual Income at November 2018 £000's	
Review and Reform	187	152	
RCSIG Additional Funding November 2018	62	-	
Total Estimated Income	249	152	
Review and Reform Budgeted Expenditure	2018-19 Projected Expenditure £000's	Actual Expenditure November 2018 £000's	Committed £000's
Staffing Costs			
Salaries, Secondments, Specialists	43	38	5
Core Central Staff	114	27	87
Travel, Subsistence, Training and Development	-	-	-
IT Hardware & Mobiles	2	-	2
	159	65	94
Development and Running Costs			
Accommodation & Venue Hire	1	1	-
Stationary, Telephone, Photocopying	-	-	-
Translation	2	-	2
Software, Marketing, R&E,	-	-	-
Professional Learning	-	-	-
HR Advise	57	19	38
	60	20	40
Delegated to Schools			
Passported on WG Instruction	-	-	-
Regional Support, Support Work, Task	-	-	-
Delegated to Local Authorities	-	-	-
Unallocated Funds	30	-	-
Total Estimated Expenditure	249	85	134

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. Work on the future financial arrangements for ERW is being discussed by the six S151 Officers.

Non-payment of one Authority's contribution for this financial year remains to be resolved.

To ensure funding from the RCSIG grant we need to ensure compliance with the pre-conditions set out in the revised grant offer letter. Continues to require compliance monitoring.

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, between the annual contribution to the cost of the Central Team and the contribution to the Pension Reserve the reserves were reduced to £190k by the end of 2017-18.

The projected annual contribution to the cost of the Central Team for 2018-19 is £45k.

Movement on the Pension Reserve for 2018-19 could reduce the total reserve balance of £145k further.

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	-45			-45
Balance 31 March 2019	337	100	-292	145

8. Recommendations

1. The Joint Committee approves the amendments to the Central Team budget for 2018-19.
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 determine the allocation of the £30k, remaining from the £250k Welsh Government funding for the Review and Reform Programme.
4. The Joint Committee notes the additional grant funding totalling £4.163m since the last meeting.