

**CENTRAL SOUTH CONSORTIUM**

**REPORT FOR JOINT COMMITTEE**

**15<sup>TH</sup> JULY 2021**

**JOINT EDUCATION SERVICE**

**JOINT REPORT OF THE MANAGING DIRECTOR AND THE TREASURER –  
MEDIUM TERM FINANCIAL PLAN UPDATE (INDICATIVE 3 YEAR BUDGET -  
2022/23 TO 2024/25)**

**Authors: Clara Seery (Managing Director) and Stephanie Davies (Head of Finance – Education & Financial Reporting)**

**1. PURPOSE OF REPORT**

- 1.1 To provide Members with a Medium Term Financial Plan update (indicative 3 year budget) for the period 2022/23 to 2024/25.

**2. RECOMMENDATION**

It is recommended that Members:

- 2.1 Consider the Medium Term Financial Plan update (2022/23 to 2024/25) and instruct the Treasurer to notify the constituent local authorities of the recommended indicative 3 year budget to inform medium term financial planning arrangements within each Council.

**3. MEDIUM TERM FINANCIAL PLAN UPDATE - INDICATIVE 3 YEAR BUDGET (2022/23 TO 2024/25)**

- 3.1 Medium term financial planning is an essential component of the Consortium's governance arrangements and has played a key part in planning the delivery of a sustainable school improvement service over a number of years and providing a clear framework within which to operate.

- 3.2 The Consortium's latest Medium Term Financial Plan (MTFP) was reported to and agreed at the [21st January 2020](#) Joint Committee meeting and has been used to inform its 2020/21 and 2021/22 budget setting processes.
- 3.3 The current uncertainties around future public sector funding levels as a result of the on-going impact of the coronavirus pandemic and the implications of the next UK Central Government Comprehensive Spending Review scheduled for autumn 2021, reinforce the importance for robust medium term financial planning arrangements to be in place. In parallel with this position, the Chief Executives of the constituent local authorities, the Managing Director and the Treasurer have updated the Consortium's MTFP and compiled financial modelling scenarios for consideration by the Joint Committee, as set out below.

#### MTFP Planning Assumptions

- 3.4 The Consortium's updated MTFP has been constructed using the following planning assumptions:
- (a) The 2021/22 approved Revenue Budget used as the baseline year;
  - (b) Employee costs based on the current staffing structure in place and a 2% pay award assumption each year for financial years 2022/23, 2023/24 and 2024/25;
  - (c) Other employee related costs: no change to Pension Fund contribution rates over the period to 2024/25 and no change to the funding mix of employee costs between core and external grant; and
  - (d) Non-pay inflation applied using the forecasted Consumer Prices Index rates as included within the latest Bank of England Monetary Policy Report i.e. 2022/23 of 1.9%, 2023/24 of 1.8% and 2024/25 of 1.9%.

#### MTFP Financial Modelling Scenarios

- 3.5 To assist the Joint Committee in its planning considerations over the medium term, a number of financial modelling scenarios have been compiled based on the above planning assumptions. A summary is set out in Table 1.

Table 1 – Summary of medium term financial modelling scenarios (2022/23 to 2024/25)

Financial Modelling Scenarios	Estimated Annual Impact (Budget Gap) on the Consortium's Funding			Estimated Cumulative Impact (Budget Gap)
	2022/23	2023/24	2024/25	£k
	£k	£k	£k	
<u>Member Local Authority Contribution Level Options</u>				
A. 22/23 0%, 23/24 0% and 24/25 0%	71	72	74	216
B. 22/23 -1%, 23/24 -1% and 24/25 -1%	106	107	109	322
C. 22/23 -1%, 23/24 0% and 24/25 0%	106	72	74	252
D. 22/23 +1%, 23/24 +1% and 24/25 +1%	35	36	37	108
E. Local Authority contributions cover the pay award assumption (i.e. pay award assumption of 2% per annum)	9	9	10	28

3.6 For Members information, between 2016/17 and 2021/22 budget savings of £854k have been delivered to meet reductions in core funding levels and have been met from areas that did not impact on frontline school improvement activities and include staffing savings, rationalisation of non-pay budgets and a reduction in accommodation requirements and associated costs.

3.7 The Chief Executives of the constituent local authorities have reviewed the information included in Table 1 and also considered the ambitions set out within the Consortium's Business Plan that affords prioritisation to, amongst other things, supporting continuous school improvement and also supporting high quality teaching and leadership across all schools. Based on these considerations, to ensure the Consortium has the necessary resources to deliver the above priorities over the period of the updated MTFP, the Chief Executives recommend Option E (i.e. local authority contributions cover the pay award assumption (pay award assumption of 2% per annum)). Members will note that this option will require the Consortium to absorb inflationary pressures on non-pay costs over this period and Table 2 sets out the Chief Executives recommended financial modelling option for Joint Committee's consideration.

Table 2 – Recommended Financial Modelling Option

Recommended Option	Estimated Annual Impact (Budget Gap) on the Consortium's Funding			Estimated Cumulative Impact (Budget Gap)
	2022/23	2023/24	2024/25	£k
	£k	£k	£k	
E. Local Authority contributions cover the pay award assumption (i.e. pay award assumption of 2% per annum)	9	9	10	28

3.8 The estimated impact on Local Authority contribution levels of the recommended option is shown in Table 3.

Table 3 – Estimated impact of recommended option on Local Authority contribution levels

Local Authority	Annual Increase / (Decrease)		
	2022/23	2023/24	2024/25
	£k	£k	£k
Bridgend	9.4	9.6	9.8
Cardiff	22.2	22.6	23.1
Merthyr Tydfil	3.9	4.0	4.0
Rhondda Cynon Taf	16.7	17.1	17.4
Vale of Glamorgan	9.1	9.3	9.4
<b>% increase year on year</b>	<b>1.72%</b>	<b>1.73%</b>	<b>1.73%</b>

3.9 Subject to Joint Committee agreeing a way forward, the Managing Director and Treasurer will construct a draft Revenue Budget for the 2022/23 financial year and report back to Members in autumn 2021 in line with the timescales set out within the Legal Agreement.

3.10 Following on, it is important to note that the indicative budget through to 2024/25 aims to aid medium term service planning arrangements and will be kept under on-going review and updated on an on-going basis to take account of, for example, local government settlements, key changes in inflation, emerging inescapable budget pressures and core budget saving opportunities.

3.11 As set out in paragraph 3.9, in line with the decision of Joint Committee, the Treasurer will notify constituent local authorities of the agreed way forward to enable each Council to take account of this position as part of medium term financial planning arrangements.

#### **4. CONCLUSIONS**

4.1 The Consortium's MTFP has been refreshed and the Chief Executives of constituent local authorities have recommended an indicative revenue budget, for financial modelling purposes, through to financial year 2024/25 for Joint Committee's consideration.

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**15<sup>TH</sup> JULY 2021**

**CENTRAL SOUTH CONSORTIUM JOINT COMMITTEE**

**List of background papers**

Freestanding matter

Officers to Contact:

Mrs. Clara Seery (Tel No. 01443 281400)

Ms. Stephanie Davies (Tel No. 07786 523991)