



CENTRAL SOUTH CONSORTIUM
REPORT FOR JOINT COMMITTEE
13TH DECEMBER 2022
JOINT EDUCATION SERVICE

**JOINT REPORT OF THE MANAGING DIRECTOR AND THE TREASURER –
MEDIUM TERM FINANCIAL PLAN UPDATE (INDICATIVE 3 YEAR BUDGET -
2023/24 TO 2025/26)**

Authors: Clara Seery (Managing Director) and Stephanie Davies (Service Director – Financial Services)

1. PURPOSE OF REPORT

1.1 To provide Members with:

1.1.1 A Medium Term Financial Plan update for the period 2023/24 to 2025/26.

2. RECOMMENDATIONS

It is recommended that Members:

2.1 Consider and approve the Medium Term Financial Plan update (2023/24 to 2025/26) and instruct the lead Section 151 Officer to notify the constituent local authorities of the recommended indicative 3 year budget to inform the medium term financial planning arrangements within each Council.

2.2 Authorise the Lead Section 151 Officer to utilise the 'Service Remodeling Earmarked Reserve', as transitional funding, to support the Consortium in setting a balanced and deliverable budget for 2023/24 (and over the medium-term period) where appropriate.

3. BACKGROUND INFORMATION

3.1 The public sector has faced a sustained period of real term reductions in funding levels for a number of years and unprecedented challenges lie ahead

for services across local government, not least as a result of the on-going national and international economic impact of the coronavirus pandemic, Brexit, increases in cost of living and the conflict in Ukraine. This position is also resulting in increased demand and costs associated with many services, and the need for local authorities to continue to support children, residents, businesses and communities as they recover from the pandemic and deal with the impact of the cost-of-living crisis.

- 3.2 On 17th November 2022 the UK Government set out its Autumn Budget Statement that confirmed Welsh Government will receive an additional £1.2billion over the next two years (2023/24 and 2024/25). With inflation being at a 40-year high and increasing demand for many services, the additional funding to be allocated to Welsh Government will be worth less in real terms than it was at the time of the last UK Government Spending Review in October 2021. The outlook for local authority funding levels therefore remains very challenging over the medium term.
- 3.3 The Consortium has a sound track record of setting and delivering balanced budgets against a backdrop of reducing funding levels and protecting the delivery of frontline school improvement activities. It will be imperative the Consortium's medium term financial planning is positioned to operate within the above financial outlook, with the continuation of robust arrangements to identify and deliver budget savings over this period.
- 3.4 As Members will be aware, since 2018/19, the Consortium has held an earmarked reserve for service remodeling. The reserve currently stands at £200k and was established to help smooth the delivery of budget savings over a number of years while still allowing for the annual delivery of balanced budgets.

4. MEDIUM TERM FINANCIAL PLAN UPDATE - INDICATIVE 3 YEAR BUDGET (2023/24 TO 2025/26)

- 4.1 Medium Term Financial Planning (MTFP) is an essential component of effective financial management, a cornerstone of good governance and an enabler of service delivery and service improvement within the constraints of available resources.
- 4.2 The Consortium recognises the importance of MTFP and the latest plan was reported to the 15th July 2021 Joint Committee meeting and used to inform the 2022/23 budget setting process, this being approved on 22nd December 2021 in line with the requirements of the legal agreement.
- 4.3 Following on, the Consortium's MTFP has been refreshed using the planning assumptions set out below:
 - (a) The recommended 2022/23 Revenue Budget (paragraph 5.6 / Table 4 of the report titled 2021/22 Budget Monitoring Update And 2022/23 Budget

Setting that was presented to Joint Committee on the 22nd December 2021) is used as the baseline year;

- (b) Employee costs based on the estimated 2023/24 staffing structure (incorporating the financial impact of the 2022/23 pay award for NJC employees and the estimated financial impact of the current 2022/23 pay award offer for Soulbury officers). Over the medium term period, the following pay inflation assumptions have been included:
 - a. NJC employee pay increasing by 4% in the 2023/24 financial year and 3% in 2024/25 and 2025/26 financial years respectively.
 - b. Soulbury employee pay increasing by 4% effective from September 2023 and 3% from September 2024 and 2025 respectively.
- (c) Other employee related costs: no change to employer Pension Fund contribution rates over the period to 2025/26 (noting that the results of the 2022 Pension Fund Triennial Valuation are awaited that will set employer pension fund contribution rates for the period 2023/24 to 2025/26) and no change to the funding mix of employee costs between core and external grant; and
- (d) Non-pay inflation set in line with the Bank of England’s monetary policy inflation target of 2% per year over the medium term.

4.4 Based on the above assumptions the forecasted inescapable budget pressures for 2023/24 through to 2025/26 are set out in Table 1.

Table 1 - Updated Inescapable Budget Pressures (2023/24 to 2025/26)

	Inescapable Budget Pressures		
	2023/24	2024/25	2025/26
	(£k)	(£k)	(£k)
<u>Inescapable Budget Pressures</u>			
Pay	172	124	113
Non-pay Inflation	10	10	10
Business Travel (Business as Usual)	17	0	0
Annual Inescapable Budget Pressures	199	134	123

4.5 To assist the Joint Committee in its planning considerations over the medium term, a number of financial modelling scenarios have been compiled using the above assumptions (noting that every + / - 1% in local authority contributions equate to approximately £36k). A summary is set out in Table 2.

Table 2 - Medium term financial modelling (2023/24 to 2025/26)

Financial Modelling Scenarios	Estimated Annual Impact (Budget Gap) on the Consortium's Funding			Estimated Cumulative Impact (Budget Gap)
	2023/24	2024/25	2025/26	(£k)
	(£k)	(£k)	(£k)	
A - Local Authority Contributions 23/24 -3%, 24/25 -2% & 25/26 -2%	308	207	196	711
B - Local Authority Contributions 23/24 -2%, 24/25 -2% & 25/26 -2%	271	207	196	674
C - Local Authority Contributions 23/24 -2%, 24/25 0% & 25/26 0%	271	134	123	528
D - Local Authority Contributions 23/24 0%, 24/25 0% & 25/26 0%	199	134	123	456
E - Local Authority Contributions 23/24 +1%, 24/25 +1% & 25/26 +1%	163	97	86	346
F- Local Authority contributions cover employee related cost assumptions 2023/24 to 2025/26 only (pay and business travel)	10	10	10	30

4.6 The Chief Executives of the constituent local authorities have reviewed the information set out in Tables 1 and 2 above and recommend that the Consortium should model its medium-term budget planning arrangements on the following option:

Table 3 – Recommended Financial Modeling Option

	Forecasted Annual Budget Gap		
	2023/24	2024/25	2025/26
	(£k)	(£k)	(£k)
A - Local Authority Contributions 23/24 -3%, 24/25 -2% & 25/26 -2%	308	207	196

4.7 Subject to approval of the above recommended option, the change in local authority core contribution levels for 2023/24 compared to 2022/23 is set out in Table 4.

Table 4 – Change in local authority 2023/24 recommended contribution levels compared to 2022/23

Local Authority Contribution	Core Contribution Levels - 2023/24 Recommended Increase / (Decrease) Compared to 2022/23¹
Bridgend	(17)
Cardiff	(40)
Merthyr Tydfil	(7)
Rhondda Cynon Taf	(29)
Vale of Glamorgan	(16)
% Increase / (Decrease) Compared to 2022/23	(109)

4.8 Members will note that this option will require the Consortium, within the indicative funding allocated, to manage pay / non-play inflation and deliver budget savings to set a balanced budget.

4.9 A review of the Consortium’s 2022/23 Revenue Budget has been undertaken to identify budget saving proposals - these are set out in Table 5 below.

Table 5 - 2023/24 Budget saving proposals (identified to date)

Budget Saving Proposal	Estimated Budget Saving £'000	Impact
Grant Utilisation – Eligible costs charged against grant	(105)	High probability that the budget savings can be delivered successfully with low impact on school improvement activities.
Office Accommodation	(55)	
CSC Staffing contractual changes	(27)	
Reduction of 0.4 FTE Improvement Partners	(33)	Change of service level will have a minimal negative effect on delivery of frontline school improvement services compared to current service standards.
Outdoor Education	(27)	Change of service level will have a minimal negative effect on delivery of

¹ Actual core contributions subject to change based on Indicator Based Assessments (IBAs) published as part of the Final 2023/24 Local Government Revenue & Capital Settlement

		national model for regional school improvement working.
Reduction to LA Annex funding	(28)	Approximate 23% reduction in funding for dedicated work required in each local authority
Total Budget Saving Proposals	(275)	
Total Forecasted Budget Gap (Table 3)	308	
Remaining Forecasted Budget Gap	33	

4.10 As set out in paragraph 4.3, the financial implications of specific areas of the Consortium's budget for 2023/24 are subject to confirmation, namely the outcome of the 2022/23 pay award for Soulbury officers and the 2022 Pension Fund Triennial Valuation, both of which are likely to impact on the forecasted budget gap for the forthcoming financial year. Members are therefore requested to authorise the Lead Section 151 Officer to utilise the 'Service Remodeling Earmarked Reserve', as transitional funding, to support the Consortium in setting a balanced and deliverable budget for 2023/24 (and over the medium-term period) where appropriate. On-going medium term financial plan updates will be reported to the Joint Committee for consideration and approval, as part of existing financial management reporting arrangements, including opportunities to replenish the Service Remodeling Earmarked Reserve.

4.11 In considering the recommended way forward, it is important to note that this is an indicative budget through to 2025/26 to aid medium term service planning arrangements and will be kept under review and updated on an on-going basis to take account of, for example, local government settlements, key changes in inflation, any financial implications and also key announcements.

4.12 Subject to the consideration of the Joint Committee, the Lead Section 151 Officer will notify constituent local authorities of a recommended option to enable each Council to take account of this position as part of medium-term financial planning arrangements.

5. CONCLUSIONS

5.1 The Consortium's MTFP has been refreshed and the Chief Executives of constituent local authorities have recommended a medium-term financial plan, for financial modelling purposes, through to financial year 2025/26 for the 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

13TH DECEMBER 2022

**CENTRAL SOUTH CONSORTIUM JOINT EDUCATION SERVICE JOINT
COMMITTEE**

List of background papers

Freestanding matter

Officers to Contact:

Mrs. Clara Seery (Tel No. 01443 281400)

Ms. Stephanie Davies (Tel No. 01443 680560)