



CENTRAL SOUTH CONSORTIUM (CSC) JOINT EDUCATION SERVICE

JOINT COMMITTEE REPORT

12th December 2023

MEDIUM TERM FINANCIAL PLAN UPDATE (INDICATIVE 3 YEAR BUDGET - 2024/25 TO 2026/27) AND BUDGET SETTING 2024/25

JOINT REPORT OF THE MANAGING DIRECTOR AND THE TREASURER:

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1. PURPOSE OF REPORT

To provide Members with:

- 1.1 A Medium Term Financial Plan update for the period 2024/25 to 2026/27.
- 1.2 The proposed 2024/25 revenue budget and basis of apportionment of local authority contribution levels for this period.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Consider and approve the Medium Term Financial Plan update (2024/25 to 2026/27) 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 Subject to 2.1, consider and approve the revenue budget for 2024/25, instruct the lead Section 151 Officer to notify constituent local authorities of the approved revenue budget for 2024/25 (to enable incorporation into the respective budget setting arrangements for each Council) and for constituent local authorities to confirm their approval to the next meeting of the Joint Committee.

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 continue for services across local government as a result of on-going difficult economic conditions, high levels of inflation and the widespread implications of the conflict in Ukraine.
- 3.2 The indicative all Wales settlement level provided by Welsh Government for 2024/25 is currently 3.1% and is informed by and reliant on the forecasted funding level to be provided by the UK Government. It is clear that this position is significantly out of line with inflationary and service pressures being faced across local government.
- 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 remodelling. The reserve currently stands at £609k 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 (2024/25 TO 2026/27)

- 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 and approved at the 13th December 2022 Joint Committee meeting and used to inform the 2023/24 budget setting process, 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 2023/24 Revenue Budget (presented to Joint Committee on the 13th December 2022) is used as the baseline year;

(b) Employee costs based on the estimated 2024/25 staffing structure (incorporating the financial impact of the estimated 2022/23 and 2023/24 national pay award offer for Soulbury officers). Over the medium term period, the following pay inflation assumptions have been included:

- a. Pay increases of 5% for 2024/25, 4% for 2025/26 and 4% for 2026/27 financial years respectively.
- b. Pension Fund contribution rates reflecting the outcome of the 2022 Pension Fund Triennial Valuation; and

(c) Non-pay inflation of 3% in financial years 2024/25 and 2025/26 and, for financial year 2026/27, set in line with the Bank of England's long term monetary policy inflation target of 2%.

4.4 Based on the above assumptions, the forecasted inescapable budget pressures for 2024/25 through to 2026/27 are set out in Table 1.

Table 1 - Updated Inescapable Budget Pressures (2024/25 to 2026/27)

	Inescapable Budget Pressures		
	2024/25	2025/26	2026/27
	£k	£k	£k
Pay	110	89	92
Non-pay Inflation	14	14	14
Annual Inescapable Budget Pressures	124	103	106

4.5 The Chief Executives of the constituent local authorities recommend that the Consortium should model its medium term budget planning arrangements for 2024/25 based on a gross 10% reduction to the core budget position. This position reflects the financial challenges faced by constituent local authorities.

4.6 In delivering core budget savings of 10% (circa £350k), that includes the Consortium having to absorb inescapable and inflationary budget pressures, the 2024/25 core contributions from constituent local authorities will reduce by 6.6% in cash terms year on year.

4.7 Table 2 demonstrates the estimated budget gap as a result of reducing local authority contributions by 6.6% in 2024/25, then 2% for each of the following two years including the impact of inflationary pressures. It summarises the medium term position to assist the Joint Committee with future planning considerations and for constituent local authorities to incorporate into their medium term financial planning as appropriate.

Table 2 – Estimated Budget Gap (2024/25 to 2026/27)

	2024/25	2025/26	2026/27	Cumulative Impact
	£k	£k	£k	£k
Reduction in LA contributions (6.6%, 2%, 2%)	233	66	64	363
Annual Inescapable Budget Pressures	124	103	106	333
Estimated Budget Gap	357	169	170	696

- 4.8 Subject to approval of the above, the change in local authority core contribution levels for 2024/25 compared to 2023/24 is detailed in Table 6.
- 4.9 In considering the recommended way forward, it is important to note that this is an indicative budget through to 2026/27 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.
- 4.10 Subject to the consideration of the Joint Committee, the Lead Section 151 Officer will formally notify constituent local authorities.

5. REVENUE BUDGET 2024/25

- 5.1 Under the terms of the Central South Consortium's Legal Agreement, the Joint Committee is required to approve its budget by the 31st December for the following financial year in order that constituent local authorities can consider and approve their contributions.
- 5.2 As set out above, the outlook for local authority funding levels is expected to remain very challenging over the medium term.
- 5.3 The 2024/25 Revenue Budget has been constructed based on a 10% base budget reduction (inclusive of inflationary pressures) which results in a 6.6% decrease in Local Authority core contributions alongside the following parameters:
- Target available funding to key priorities and protect, as far as is practicable, frontline school improvement resources;
 - The continued delivery of efficiency savings; and
 - The Consortium to fully fund estimated pay and non-pay (i.e. goods and services) related inflation.

- 5.4 Members will note that reducing contributions by 6.6% will require the Consortium, within the indicative funding allocated, to manage pay / non-play inflation and deliver budget savings to set a balanced budget.

Table 3 - 2024/25 Budget Requirement

	£k
Core Budget 2023/24 <i>(net of £33k transitional funding)</i>	3,536
Inescapable Pressures	124
Core costs 2024/25	3,660
Reduction to Base Budget	(335)
Revised Budget 2024/25	3,325
Funded by:	
General income	(20)
Recognition of interest receivable	(22)
LA Core Contributions	(3,283)
Base Budget 2024/25	(3,325)

- 5.5 A review of the Consortium's 2023/24 Revenue Budget has been undertaken to identify budget saving proposals - these are set out in Table 4 below.

Table 4 - 2024/25 Budget saving proposals

Budget Saving Proposal	Estimated Budget Saving £k	Impact
Reduction in non-employee budgets	(34)	Reduction in general supplies and services, external room hire and staff travel
Reduction to employee costs	(221)	Removal of temporary contracts, reduction of 3FTE posts and other contract changes
Maximisation of grant income	(80)	Risk of reduction of grant in medium term
Recognition of interest receivable	(22)	Prudent budget setting for the medium term on bank interest
Total Budget Savings	(357)	

- 5.6 It is important to note that several of the proposals for consideration above would incur additional costs (over and above a managed reduction in capacity of Central South Consortium) in respect of management of

change processes and redundancy costs. It is proposed that costs in this regard are funded from the earmarked reserve held for such purposes. In addition and for Members information, the financial implications of specific areas of the Consortium's budget for 2024/25 remain subject to confirmation of the outcome of the 2022/23 and 2023/24 national pay award for Soulbury officers, as set out at paragraph 4.3.

- 5.7 The Treasurer has validated the core budget saving proposals and has confirmed that they would be available for release in the 2024/25 financial year. Where full year savings are unachievable due to the timing of implementation, these will be managed through utilisation of the Service Remodelling earmarked reserve to the extent they are not offset by in year underspends.
- 5.8 Bringing together the information set out above, Table 5 sets out the draft revenue budget for 2024/25.

Table 5 – Draft Revenue Budget 2024/25

Category	Original Budget 2023/24	Proposed Budget 2024/25	Budget Increase / (Decrease)
	£	£	£
<u>Expenditure</u>			
Employees	3,111,384	2,868,820	(242,564)
Premises	103,966	101,592	(2,374)
Transport	29,000	25,750	(3,250)
Supplies and Services	173,904	147,942	(25,962)
Support Services	150,375	180,413	30,038
Gross Expenditure	3,568,629	3,324,517	(244,112)
<u>Income & Funding</u>			
Local Authority Contributions	3,516,129	3,283,445	(232,684)
Grants and Other Income	19,500	41,072	21,572
Transitional Funding	33,000	0	(33,000)
Total Income & Funding	3,568,629	3,324,517	(244,112)

- 5.9 With regard to funding contributions from each Local Authority, Members will note that these are based on specific Indicator Based Assessments (IBAs) published by Welsh Government (in accordance with the Central South Consortium's Legal Agreement). Table 6 sets out the 2024/25 Local Authority contributions on this basis.
- Table 6 - 2024/25 Local Authority contribution levels

Local Authority	2023/24 Contributions	2023/24 IBAs	2024/25 Contributions (based on 2023/24 IBAs) *	Increase / (Decrease)
	£	%	£	£
Bridgend	535,031	15.22%	499,625	(35,406)
Cardiff	1,299,285	36.95%	1,213,304	(85,981)
Merthyr Tydfil	223,645	6.36%	208,845	(14,800)
Rhondda Cynon Taf	937,125	26.65%	875,110	(62,015)
Vale of Glamorgan	521,042	14.82%	486,561	(34,481)
Total	3,516,128	100.00%	3,283,445	(232,683)

**Actual core contributions subject to change based on IBAs published as part of the final 2024/25 Local Government Revenue & Capital Settlement*

- 5.10 Subject to the decision of the Joint Committee, agreed contribution levels for 2024/25 will be notified to constituent local authorities for their approval and confirmation back to the next Joint Committee meeting.
- 5.11 Following on, budget monitoring update reports will be presented to the Joint Committee during 2024/25, in line with the approved revenue budget, as part of existing financial management reporting arrangements.

6. CONCLUSIONS

- 6.1 The Consortium's MTFP has been refreshed and the Chief Executives of constituent local authorities are agreed on a recommended medium-term financial plan, for financial modelling purposes, through to financial year 2026/27 for the Joint Committee's consideration.
- 6.2 A draft 2024/25 Revenue Budget for the Consortium has been prepared and reflects an aggregate 6.6% decrease in constituent local authority contribution levels and allocated on the basis of 2023/24 IBAs, this being in line with the indicative three-year revenue budget presented above.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

12TH DECEMBER 2023

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

List of background papers

Freestanding matter

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