

**THE CITY AND COUNTY OF CARDIFF, COUNTY BOROUGH COUNCILS OF BRIDGEND,
CAERPHILLY, MERTHYR TYDFIL, RHONDDA CYNON TAF AND THE VALE OF
GLAMORGAN**

**THE GLAMORGAN ARCHIVES
JOINT COMMITTEE
14TH December 2018**

REPORT OF:

**THE TREASURER TO THE GLAMORGAN
ARCHIVES JOINT COMMITTEE**

	AGENDA ITEM NO.
2018-2019 BUDGET MONITORING & 2019-2020 BUDGET PROPOSALS	

PURPOSE OF REPORT

1. This report provides members with the projected full year revenue outturn for the 2018/19 financial year. It also details the proposed revenue budget for 2019/20.

PROJECTED OUTTURN POSITION FOR FINANCIAL YEAR 2017/18

2. Appendix 1 details the position for the 2018/19 financial year, as forecast at 31st October 2018. This is summarised in the table below.

Table 1: Projected Outturn 2018/19 (at 31st October 2018)

	Budget £	Actual to date £	Projection £	Variance £
Expenditure				
Employees	535,955	336,754	563,040	27,085
Premises	255,450	224,047	272,989	17,539
Transport	1,400	777	1,007	(393)
Supplies & Services	32,045	43,926	62,213	30,168
Support Services	27,900	25,060	26,090	(1,810)
GROSS EXPENDITURE	852,750	630,563	925,339	72,589
Income	(173,750)	(92,410)	(216,113)	(42,363)
Contribution from Reserves	(25,000)	0	(25,000)	0
NET EXPENDITURE	654,000	538,153	684,226	30,226

The net expenditure for the full year is projected to be £684,226 which represents an overspend of £30,226 against the approved budget of £654,000. This overspend will be drawn down from the General Reserve as shown in table 2 below.

Table 2: Projected Reserve Balance 2018/19

	£
Opening Balance at 1st April	233,945
Budgeted Drawdown	(25,000)
Overspend Projected	(30,226)
Closing Balance at 31st March	178,719

The main reasons for the overspend are given below.

Employees + £27,085

3. A net overspend on employees is forecast with a projected total of £563,040 against a budget of £535,955. The major contributor to this is an overspend of £13,614 on gross pay. The overspend in general salaries, national insurance and pensions is the result of pay increases in addition to the annual pay award, as budgets are set before any approvals of changes to pay.
4. Agency staff costs are also showing an overspend of £5,482 but the majority of this is funded through Access to Work grant funding.
5. The Apprenticeship Levy is projected to cost £1,850, for which there is no budget provision in 2018/19. This levy affects employers with an annual pay bill in excess of £3 million and therefore Cardiff Council is charged. It is calculated at a rate of 0.5% of an employer's National Insurance payments. A budget has been incorporated into the draft 2019/20 budget.
6. Staff training expenses are showing an overspend of £3,085, the majority of which will be offset by grant funding.

Premises + £17,539

7. It is anticipated that there will be an overspend on premises costs of £17,539. There is a large overspend on the maintenance budget (£10,000) due to general repair work that has been required throughout the year and repairs have included the supply and fit of controllers within the plant room. There was also a need to update safety features to the exit gates as this was identified during a planned service of the gates last year. Furthermore, approximately £1,000 was required for repairs to the lift and heaters.
8. There is also a projected overspend of £950 for security measures, most of which is connected with the annual contract payment. Fire management/protection

costs are projected to be £400 over budget and this is due to the increase in contract costs for fire alarms as well as for fire extinguishers. Maintenance contracts are projected to have an overspend of £1,616 and this is due to costs for engineering contracts, PAT testing and maintenance contracts for doors and shutters.

9. At month 7, £8,551 has been incurred for electricity but the projection remains at £22,000 as costs are expected to increase over the winter months. Gas is showing a projected underspend of £1,000 and this is based on an accurate meter reading that has been provided to the suppliers by Cardiff Council's Energy Team.
10. The Non Domestic Rates budget is projected to overspend by £5,185, following confirmation of the charge for 2018/19. This continues to be a significant cost for the Archives service and it is a subject that is being scrutinised at a national level, with the aim of reducing costs for all archives services.

Transport - £393

11. Transport has a projected underspend of £393 and this is mainly due to a reduction in the hire of transport, which will save £359. The increase in car allowances and vehicle hire insurance is offset by a reduction in the use of public transport and travel expenses.

Supplies & Services + £30,168

12. An overspend of £30,168 is projected for supplies and services. This is mainly due to additional spend of £26,000 on Conservation, most of which is offset by conservation income which includes grants from Wellcome Trust and other in-year grant awards. There is also an overspend of £1,371 against Equipment & Materials but this is for a specialist chair and equipment which are required for staff members. Most of this will be funded through grant funding.
13. The projected spend of £3,810 for consultants' fees are to be funded by a grant awarded by the Archives & Records Council Wales (ARCW) for the production of a research guide.
14. Software purchases have a projected overspend of £563 and hardware purchases a projected overspend of £477 but this was due to the purchase of specialist software and a new PC needed for a member of staff paid for through the Department of Work and Pensions (DWP) Access to Work schemes and these will therefore be offset by grant income.
15. Catering sundries have decreased due to reduced demand for catering with room bookings. Vending machines have a projected underspend of £722 and this is due to a change of contract with the suppliers. Finally, there is also a projected underspend of £700 for central telephone exchanges.

Support Services - £1,810

16. There is an overall projected underspend of £1,810 for Support Services, the majority of which is due to Accountancy costs reducing for the year. There is also an underspend of £670 for internal audit as the budget was set based on an in-depth audit that was conducted in 2017/18.

Income - £42,363

17. The projected income is £42,363 more than budgeted. This is mainly due to an increase of £25,241 of New Burdens Grant funding due to a late award notification. There were also additional ARCW and DWP grants received as well as continuing Wellcome Trust grant funding to cover staff, equipment and material costs as mentioned above.

18. Finally, the hire of specialist rooms and sale of food have increased and therefore there is projected additional income of £6,000 and £2,000 respectively.

Local Authority Contributions

19. An overspend of £30,226 is projected in 2018/19. In line with the decision made when setting the 2015/16 budget, the policy is that any overspend will be funded from the General Reserve and not passed back to the contributing authorities. Therefore, if the year end outturn is in line with the current monitoring position, the overspend will be funded from reserves and local authority contributions for 2018/19 will remain in line with the budgeted amounts.

PROPOSED BUDGET FOR FINANCIAL YEAR 2019/20

20. The proposed budget for the 2019/20 financial year reflects a net budget totalling £654,000. No reduction has been applied to the overall net budget compared to the previous year.
21. Due to financial pressures in salary and premises costs, partly offset by assumed increases in income and savings against other budget headings, there is a budget gap of £25,000 to be addressed.
22. The table below summarises the proposed budget for 2019/20. A more detailed analysis can be found in Appendix 2.

Table 3: 2019/20 Proposed Budget

	2018/2019 Budget £	2019/2020 Budget £	Increase/ Decrease
Expenditure			
Employees	535,955	559,255	23,300
Premises	255,450	275,115	19,665
Transport	1,400	1,000	(400)
Supplies & Services	32,045	25,640	(6,405)
Support Services	27,900	26,090	(1,810)
GROSS EXPENDITURE	852,750	887,100	34,350
Income	(173,750)	(183,100)	(9,350)
Contribution from Reserve	(25,000)	(50,000)	(25,000)
NET EXPENDITURE	654,000	654,000	0

23. In preparing the figures above, consideration has been given to the budgetary pressures on the service alongside potential, and achievable, savings and income growth.

Employees + £23,300

24. Within the proposed budget there is a total increase in spend of £23,300, which reflects the estimated increase due to pay inflation of annual increments. The increments are yet to be approved but the budget has been set based on projections.
25. It has not been possible to identify any employee cost savings in 2019/20 in light of the significant reductions to staffing budgets in recent years, alongside continued pay increases. However, a number of the posts are fully funded by grant income.

Premises + £19,665

26. The net increase in the premises budget reflects a realistic need to build in additional funds for unplanned lifecycle maintenance costs as the building is getting older and recently there have been essential repairs needed. Security costs have also increased due to a 5% increase for next year. The NDR costs have increased by approximately £3,000 for 2019/20 based on the increase of the multiplier. The majority of costs have not changed a great deal, only representing an inflationary increase in charges and the utility bills are mostly in line with last year.

Transport - £400

27. The transport budget has been reduced to reflect current projections with less use of hire vehicles, public transport and travel expenses. This is due to a reduced need for travel as more meetings are held digitally.

Supplies & Services - £6,405

28. The planned reduction in the supplies and services budget largely consists of lower conservation costs, which have reduced by £3,000. This is because most conservation costs are covered by grant income and the budget of £7,000 has been set specifically for Glamorgan Archives' use rather than grant assisted conservation. There has also been a large decrease in vending machine costs as contracts have changed. Finally, there have been other collective decreases in costs for catering sundries, telephone charges and subscriptions, after targeted efficiencies have been made.

29. Wales Audit Office fees continue to fall following the adoption of a simpler format for the year end reports and faster closing as part of the annual external audit. The budgeted fees have reduced by £200 this year.

Support Services - £1,810

30. There has been an increase in ICT support services and this is due to the additional costs incurred for procuring ICT. This additional cost has been partially offset however by reduced charges for Accountancy, Payments, Procurement and Audit.

Income + £9,350

31. The net increase in the income budget comprises an additional £1,000 from grants and a slight increase in Wellcome Trust funding which will continue to pay for two members of staff. Conservation income will remain at £15,000 and will be used for equipment and materials. There is also an increase in the projected hire of specialist rooms with an additional £6,000 budgeted income. As well as the additional room hire, the sale of food is projected to increase to £7,000.

General Reserve

32. In line with the budget strategy approved as part of the 2015/16 budget, it was planned that use of the General Reserve would cease in 2019/20. However, in light of the budget pressures identified and the challenge in identifying efficiency savings, there is a need to reconsider whether the reliance upon the reserve should cease. In addition, the projected reserve balance would suggest that there is scope to continue the use of the reserve for a further one year, as a minimum.
33. Therefore, it is proposed that the budgeted use of the reserve is increased to £50,000 for 2019/20 and then reduced to £25,000 in 2020/21, before ceasing in 2021/22. This would result in a reserve balance of circa £100,000 at the end of the 2020/21 financial year, assuming no significant overspends or underspends in the intervening years. In implementing this strategy, it will ensure that contributions from the six member authorities will not need to be increased in 2019/20.

Local Authority Contributions

34. Table 4 below indicates the effect the budget proposals will have upon the contributions to be made by the constituent authorities. The current year budgeted contributions are shown for comparative purposes.

Table 4: Local Authority Contributions 2019/20

Authority	%	2018/19	2019/20	Change
		£	£	£
Bridgend	14	91,560	91,560	0
Caerphilly	11	71,940	71,940	0
Cardiff	32	209,280	209,280	0
Merthyr Tydfil	6	39,240	39,240	0
Rhondda Cynon Taf	25	163,500	163,500	0
Vale of Glamorgan	12	78,480	78,480	0
Total	100	654,000	654,000	0

35. It is proposed that the contributions for 2019/20 will be invoiced in two equal instalments, as per the current arrangement. The first instalment will be invoiced for in July and the second instalment in February. Any overspends will be managed through contributions from the General Reserve, where possible. Should surpluses materialise, these will be retained within Glamorgan Archives to offset any use of the General Reserve.

Medium Term Position

36. As outlined in various parts of the report, the challenge in identifying efficiency savings is becoming more challenging each year. In addition, whilst the General

Reserve can be used on a one-off basis to supplement the revenue budget, it does not provide a sustainable solution and the budgeted use of this funding source will need to be eliminated in future years. Therefore, there is a need to consider a medium term strategy for the service and identify a methodology for maintaining the level of service whilst operating within an ongoing environment of financial constraint.

37. To enable this to be achieved, work will need to be undertaken to model the budgetary position of the service for a three-year period and identify the budget gap in each year. A response to that budget gap will need to be drafted and consideration will need to be given to a range of ways to reduce the gap and balance the budget. This will need to continue to include identification of efficiency savings, but consideration will also need to be given alternative ways of reducing costs. As well as this, consideration will need to be given to the level of contribution made by the six member authorities and whether an increase in contribution is required.

SUMMARY

38. For the current year, the net cost of the provision of the Glamorgan Archives Service is projected to be £684,226 representing an overspend of £30,226 against the approved budget of £654,000.
39. No reduction in Local Authority contributions are budgeted for 2019/20. Use of the General Reserve to drawdown £50,000 will fund the budget gap. Previous years saw a reduction in this reliance.
40. Budgeted use of the reserve is proposed to be £50,000 in 2019/20 and £25,000 in 2020/21, after which further savings will need to be identified or additional contributions from member Local Authorities will be necessary.

FINANCIAL IMPLICATIONS

41. An overspend of £30,226 is projected for 2018/19 based on the position as at month 7. This will continue to be reviewed in the regular monitoring meetings between the Glamorgan Archivist and finance officers. As a result of this overspend, and provided this continues, it will be necessary to drawdown additional monies from the General Reserve, leaving an estimated £170,000 at the end of the current financial year.
42. Further planned use of the General Reserve will be £50,000 in 2019/20 reducing to £25,000 in 2020/21, taking reserve levels down to circa £100,000. This level of reserve is considered adequate for an organisation of this size.

LEGAL IMPLICATIONS

43. Under the terms of the Joint Archives Committee Agreement, the contributing Authorities delegated to the Committee all their powers and duties in connection with the care, preservation, maintenance and management of archives and records except for the power of setting a budget and borrowing money.
44. The Committee is required under the terms of the Agreement to approve draft budget proposals for 2019/20 for submission to each of the contributing Authorities for approval, with such budget to be borne in the proportions set out in clause 5 (a) (i) of the Agreement.

RECOMMENDATIONS

45. It is recommended to Members that they:

- Note the projected full year position for the 2018/19 financial year as presented in paragraphs 2 to 19 of this report.
- Recommend the draft budget proposals for 2019/20 be accepted, as presented in paragraphs 20 to 36 of this report.
- Recommend that officers progress work with local authority representatives to develop a sustainable approach to the medium term budget challenges.

Christine Salter
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