

REPORT OF THE TREASURER TO THE JOINT COMMITTEE**PURPOSE OF REPORT**

1. This report provides members with the projected full year revenue outturn for the current financial year 2012/13. It also details the proposed revenue budget for financial year 2013/14.

PROJECTED OUTTURN POSITION FOR FINANCIAL YEAR 2012/2013

2. Appendix 1 details the position for the 2012/13 financial year, as forecasted at 31st October 2012. This is summarised in the table below.

Table 1: Projected Outturn 2012/13 (at Month 7)

| | Budget £ | Projection £ | Variance £ |
|-----------------------------|--------------------|------------------------|----------------------|
| Expenditure | | | |
| Employees | 543,940 | 563,081 | 19,141 |
| Premises | 233,400 | 233,416 | 16 |
| Transport | 7,950 | 6,955 | (1,516) |
| Supplies & Services | 66,250 | 65,860 | (390) |
| Support Services | 38,500 | 39,200 | 700 |
| Third Party Payments | 0 | 6,345 | 6,345 |
| GROSS EXPENDITURE | 890,040 | 914,336 | 24,296 |
| Income | (26,970) | (53,411) | (26,441) |
| Contributions from Reserves | (100,000) | (100,000) | 0 |
| NET EXPENDITURE | 763,070 | 760,925 | (2,145) |

3. The expenditure for the full year is projected to be £760,925, which represents an underspend of £2,145 (0.3%) against the approved budget of £763,070. This compares to a reported underspend of £255 at 30th June 2012. Reasons for the main variances are given below:

Employees - £19,141

4. There are a number of elements that contribute to the net projected overspend. The first of these is an overspend of £31,517 on agency staff. This is due to the recruitment of temporary staff to cover the vacancy arising from the resignation of a Records Assistant and the maternity leave of an Archivist. Agency staff have also been used to provide cover whilst the induction of the replacement Records Assistant takes place.
5. Further overspends are being projected as a result of the impact of the implementation of the Single Status agreement, which took place after the 2012/13 budget was approved. As a consequence, a number of

employees have experienced a change in spinal point which has increased the cost of employing them. The impact of this in 2012/13 equates to £14,364.

6. Offsetting these overspends is a projected underspend of £12,877 due to vacancies arising from the maternity leave and resignation outlined above. Also, the employee budget contains £24,651 to cover the cost of employing an Archivist. It is intended that this post will not be filled, however the intention is that a Conservator will be appointed for the last 3 months of the year at a cost of £7,194.

Premises - £16

7. The expenditure on gas is currently projected at £25,000, which is a variance of £20,000 against the budget of £45,000. This is due to the fact that, until recently, regular gas bills were not being received. However, it is now possible to project that the annual cost of gas will be in the region of £25,000. This saving is reflected in the proposed 2013/14 budget.
8. The underspend on gas expenditure is partly offset by an overspend of £9,228 on electricity bills, which is due to both increased unit costs and increased usage. It is also partly offset by an annual carbon reduction commitment payment of £5,200. This is a new payment which was not known about at the time of setting last year's budget.
9. There are also projected savings of £1,264 on property insurance and £2,258 on repairs, alterations and improvements. However, these are more than offset by overspends of £1,705 against the premises contingency, £4,279 on maintenance contracts and £1,650 on security.

Transport – (£1,516)

10. The net underspend on Transport is predominantly made up of a £500 underspend on vehicle fuel and a £900 underspend on employee car allowances. These underspends are both reflected in the proposed 2013/14 budget.

Supplies & Services – (£390)

11. The net underspend within Supplies & Services comprises both underspends and overspends. A significant underspend (£19,000) is being projected against ICT related budgets. The 2012/13 budget was based on the projected outturn for 2011/12, however 2011/12 was an exceptional year because of expenditure on new ICT equipment. Therefore, the ICT budgets for 2012/13 are more than sufficient and, as a result, an underspend has been forecasted.
12. An overspend of £10,000 is currently being projected against the conservation budget. The majority of this overspend relates to income generating activities and this is reflected in the conservation income projections below.

13. There is a forecasted overspend of £4,000 on hospitality allowances. This is essentially the purchasing of catering services. Despite a budget not being allocated for this expenditure, it is essential in terms of income generation and the income generated is more than covering these costs.
14. Other underspends are being forecast against signs and repairs (£1,000) and telephones (£955), however these are more than offset by overspends against equipment & materials (£2,300), advertising (£2,996) and public liability insurance (£1,024), for which there has not historically been a budget provision.

Third Party Payments - £6,345

15. At the very end of 2011/12 it became apparent that the Service would be responsible for actuarial costs in respect of the bulk transfer of pension rights from the Rhondda Cynon Taff CBC Pension Fund to the Cardiff & Vale of Glamorgan Pension Fund. The Rhondda Cynon Taff CBC Pensions section has indicated that there will be further costs in 2012/13 and for this reason £6,345 has been built into the projected outturn.

Support Services - £700

16. The net overspend on Support Services includes a £1,500 overspend on internal audit charges, for which there is no budgetary provision. This charge is of a one-off nature and therefore will not need to be built into the 2013/14 budget. The above overspend is partly offset by underspends across the other Support Service budget heads totalling £800.

Income – (£26,441)

17. Projected income is currently exceeding budgeted levels across a number of budget headings. Particular success is being forecasted in conservation income (£11,517) and hire of special rooms (£6,685). Unanticipated income has also been received in respect of access for filming (£2,222). Income from the sale of food is projected to exceed budget by £2,335. This income has arisen directly from the purchases of catering services outlined in the Supplies & Services section above. Furthermore, the balance held in the Glamorgan Archives reserves is anticipated to generate £3,000 in interest.

Local Authority Contributions

18. Any surplus projected at month 11 against the revenue budget this year will reduce the second instalment required from the six contributing Local Authorities, as outlined in the Glamorgan Archives Committee report dated 10th December 2010. On the basis of the projected underspend of £2,145 at month 7, the contributions required to fund the Service will be as follows:

Table 2: Projected Contributions 2012/13 (at Month 7)

| Authority | % | Contribution | | |
|--------------------------|------------|----------------|----------------|----------------|
| | | 2012/2013 | 2012/2013 | Reduction |
| | | Original | Current | |
| | | £ | £ | £ |
| Bridgend C.B.C. | 14 | 106,830 | 106,529 | (301) |
| Caerphilly C.B.C. | 11 | 83,938 | 83,702 | (236) |
| Cardiff Council | 32 | 244,182 | 243,496 | (686) |
| Merthyr Tydfil C.B.C. | 6 | 45,784 | 45,656 | (128) |
| Rhondda Cynon Taf C.B.C. | 25 | 190,768 | 190,231 | (537) |
| Vale of Glamorgan C.B.C. | 12 | 91,568 | 91,311 | (257) |
| Total | 100 | 763,070 | 760,925 | (2,145) |

Conserving Local Communities Heritage (CLOCH)

19. In June 2010 the Service was awarded a Heritage Lottery Fund (HLF) grant of up to £224,000 towards the provision of practical work based skills training opportunities in digitisation, research, local history, basic conservation and community engagement. The grant agreement is for 3 years of which 2012/13 is the second. This year will see the expansion of the project with the recruitment of 5 trainees completed and a further round of recruitment planned for January. This will bring the total number of trainees to 10 by the end of the year.
20. The projected cost for this year is £104,120 which is predominantly to cover the cost of bursary payments to the trainees. Applications will be made to HLF throughout the year for payment of grant as and when significant costs are incurred.

Table 3: Conserving Local Communities Heritage (CLOCH)

| | Budget | Projection | Variance |
|--------------------------|---------------|----------------|--------------|
| | £ | £ | £ |
| Expenditure | | | |
| Employees | 89,510 | 94,520 | 5,010 |
| Transport | 8,100 | 8,100 | 0 |
| Supplies & Services | 1,500 | 1,500 | 0 |
| GROSS EXPENDITURE | 99,110 | 104,120 | 5,010 |
| Income | (99,110) | (104,120) | (5,010) |
| NET EXPENDITURE | 0 | 0 | 0 |

PROPOSED BUDGET FOR FINANCIAL YEAR 2013/2014

21. The table below gives a summary of the proposed budget with a more detailed analysis in Appendix 2.

Table 4: Proposed Budget 2013/2014

| | 2012/2013 Budget £ | Proposed 2013/2014 Budget £ | Yr on Yr change £ | Yr on Yr change % |
|---------------------------|-----------------------------------|--|----------------------------------|----------------------------------|
| Expenditure | | | | |
| Employees | 543,940 | 582,780 | 38,840 | 7.14 |
| Premises | 233,400 | 228,900 | (4,500) | -1.93 |
| Transport | 7,950 | 6,550 | (1,400) | -17.61 |
| Supplies & Services | 66,250 | 48,020 | (18,230) | -27.52 |
| Support Services | 38,500 | 37,700 | (800) | -2.08 |
| GROSS EXPENDITURE | 890,040 | 903,950 | 13,910 | 1.54 |
| Income | (26,970) | (46,520) | (19,550) | -72.49 |
| Contribution from Reserve | (100,000) | (100,000) | 0 | 0.00 |
| NET EXPENDITURE | 763,070 | 757,430 | (5,640) | (0.74) |

22. The proposed net expenditure budget for 2013/14 is £757,430, which represents a decrease of £5,640 compared with the approved budget for 2012/13.

Employees - £38,840

23. The employee budget has been prepared based on the existing staffing structure, which will continue for 2013/14. A vacant Archivist post has now been converted to a Conservator post, of the same grade, as outlined in the budget report dated 9th December 2011. The current staffing structure has been adjusted to take account of any annual increments due to employees. Also, it has incorporated a potential 1% pay award and an increase in the rate of superannuation from 22.9% to 23.9%.
24. At the time of preparing the 2012/13 budget the impact following the implementation of the Single Status agreement was not known. As a result the employee budgets for 2012/13 have not been sufficient to cover the costs incurred. Now that the full impact of Single Status is known, it has been possible to calculate accurate budgets for employee costs in 2013/14. The general outcome is that most employees have experienced either an increase in grade or access to incremental headroom that they previously did not have. This has added significant financial pressures to the 2013/14 budget totalling £26,634. This budget increase has been funded by savings made against other budget headings.
25. A further financial pressure within the employee budget has arisen from the proposal to regrade a number of posts within the staffing structure. This proposal is subject to Job Evaluation, however the intention is that

the Grade 2 posts will be regraded to a Grade 3 and the Grade 3 posts will be regraded to a Grade 4. The outcome of this proposal is that an additional £10,406 is required for the employee budget.

26. Despite the significant projected overspend against the agency staff budget in 2012/13, due to maternity leave and vacancy cover, this situation is not expected to continue into the new financial year and so the existing level of budget (£3,000) is expected to be appropriate for 2013/14.

Premises - (£4,500)

27. A net saving has been identified within the premises budget, mainly because of the fact that there is now historical data available to inform the setting of budgets for the new year. This is especially true of the cost of gas where a saving of £20,000 is possible. This is because regular bills are now being received which indicate that gas costs an average of £2,000 per month. However, this saving is diminished by the need to allocate an additional £10,000 to the electricity budget and £5,200 to cover an annual carbon reduction commitment payment.
28. The NNDR budget is based on the actual rateable value of the building and the estimated business rates multiplier for 2013/14. This results in an NNDR budget of £70,060 which is an increase of £1,810 from the current year budget. This increase is due to the multiplier rate increasing from 45.2p to 46.4p.
29. Other savings have been identified against the budgets for property insurance premiums (£1,000), contract cleaning (£500) and repairs, alterations and maintenance (£1,500). However, increases are required to the budgets for maintenance contracts (£1,490).

Transport - (£1,400)

30. Savings have been identified within the transport budget against employee car allowances (£900) and fuel (£500). These savings have been identified because of historic and forecasted underspends against these budgets.

Supplies & Services - (£18,230)

31. Although the projection for 2012/13 for this category is £3,892 underspent, the proposed overall Supplies and Services budget has been reduced by £18,230 for 2013/14. This is mainly because of the fact that the main projected overspend mentioned in the monitoring section of this report is not expected to recur in 2013/14.
32. The main saving within Supplies & Services has been identified against the four ICT related budgets (£14,000). This reduction is broadly in line with the £19,000 projected underspend in 2012/13, however allows an additional £5,000 for the purpose of renewing computer hardware and software during 2013/14.

33. The other main areas where savings have been identified are against printing and stationary (£3,500) and photocopiers (£1,600). One of the main reasons is the fact that the photocopier lease will expire at the end of 2012/13 meaning the fall out of lease payments will be experienced in 2013/14.
34. Other net savings of £4,150 have been identified against budgets such as equipments and materials, telephones and library books. However, these are offset by increased budgets for public liability insurance (£1,020), for which historically there was no budget, and hospitality allowances (£4,000). The budget for hospitality allowances will be more than offset by a corresponding income budget for the sale of food.

Support Services - (£800)

35. The proposed budget for the support service charge from Cardiff Council is in line with the 2012/13 projected outturn. This charge includes support for accountancy, audit, exchequer functions, human resources, legal and committee services.

Income - (£19,550)

36. For 2013/14, a contribution from reserves of £100,000 has been retained within the budget as per the budget strategy outlined in the 2011/12 budget report. This will result in a continued reduction in the contributions required from the six Local Authorities.
37. Income levels have increased significantly in the financial years, subsequent to the opening of the new Glamorgan Archives building, and income budgets have been amended in the 2013/14 budget to reflect this. The main increases have been made to the budget for conservation income (£8,000), the hire of special rooms (£6,600) and income from the sale of food (£2,000). These increases are in line with the additional income expected to be received in 2012/13.
38. Also, a new budget of £2,500 has been created for interest earned on the balance held within the Glamorgan Archives reserve. £3,222 was earned in 2011/12, however this amount is expected to reduce in line with the reducing balance held within the reserve.
39. Any additional income generated above the target set in the 2013/14 budget will help to reduce the net expenditure of the archives facility and, therefore, potentially reduce the contributions required from the six authorities at the end of the financial year.

Local Authority Contributions & Glamorgan Archives Reserve

40. The effect of the 2013/14 budget proposals on the contributions of constituent Authorities is shown in the table below. The current year contributions and the year on year reductions are also shown for comparative purposes.

Table 5: Local Authority Contributions

| Authority | % | Contribution | | |
|-------------------|------------|----------------|----------------|----------------|
| | | 2012/2013 | 2013/2014 | Decrease |
| | | £ | £ | £ |
| Bridgend | 14 | 106,830 | 106,040 | (790) |
| Caerphilly | 11 | 83,938 | 83,317 | (621) |
| Cardiff | 32 | 244,182 | 242,378 | (1,804) |
| Merthyr Tydfil | 6 | 45,784 | 45,446 | (338) |
| Rhondda Cynon Taf | 25 | 190,768 | 189,357 | (1,411) |
| Vale of Glamorgan | 12 | 91,568 | 90,892 | (676) |
| Total | 100 | 763,070 | 757,430 | (5,640) |

41. In line with the approach adopted from 2011/12 the 2013/14 contributions will be invoiced in two instalments. The first instalment in July 2013 will be 50% of the approved budget for the financial year and the second instalment in March 2014 will invoice for the remaining funding required based on the projected outturn as at the end of Month 11. Any shortfalls or surplus generated on these amounts will then be managed through contributions to or from the Joint Committee Reserve.
42. This process was implemented to help limit any further build up of the general reserve, which at 31st March was £673,963, and may also lead to a reduction in the required contributions from the six authorities when an underspend is projected against the approved budget. Any overspend against the approved budget will be met from the general reserve.

SUMMARY

43. For the current year, the net cost of the provision of the Glamorgan Archives Service is projected to be £760,925 representing an underspend of £2,145 (0.3%) against the approved budget of £763,070.
44. The proposed net expenditure budget for 2013/14 is £857,430, a decrease of £5,640 compared to 2012/13. £100,000 of this will be drawn down directly from the Glamorgan Archives reserve with Partner Authorities funding the balance of £757,430.

FINANCIAL IMPLICATIONS

45. An underspend of £2,145 is projected for 2012/13 based on the position at Month 7. This will continue to be reviewed in the regular monitoring meetings between the Glamorgan Archivist and Finance officers. The second contribution from the Partner Authorities will be based on the projected outturn from the Month 11 monitoring position. This should more closely align the actual contributions paid by Partners with the funding requirements of the Joint Committee.
46. The proposed budget for 2013/14 includes the second year of a three year proposal, recommended in the 2011/12 Budget report, to support the budget with an annual drawdown of £100,000 from the Joint Committee Reserve.
47. The current balance of the Joint Committee Reserve is £673,963 which would reduce to £373,963 after year 3 of the drawdown strategy is completed. In the context of an annual revenue budget of approximately £860,000 this level of resource is considered more than adequate to support the activities of the Glamorgan Archives Joint Committee.

LEGAL IMPLICATIONS

48. Under the terms of the Joint Archives Committee Agreement, the participating 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.
49. The Committee is required under the terms of the Agreement to approve a draft budget for 2013/14 for submission to each of the participating Authorities for approval, with such budget to be borne in the proportions set out in clause 5 (a) (i) of the Agreement.

RECOMMENDATIONS

50. It is recommended to members that they:
 - Note the projected full year position for financial year 2012/13 as presented in paragraphs 2 to 20 of this report and detailed in Appendix 1.
 - Approve the budget proposals for 2013/14 as presented in paragraphs 21 to 42 of this report and detailed in Appendix 2.

Christine Salter
Treasurer to the Joint Committee