

**THE BOROUGH, CITY AND COUNTY COUNCILS OF CAERPHILLY, CARDIFF,
MONMOUTHSHIRE, NEWPORT AND THE VALE OF GLAMORGAN**

PROSIECT GWYRDD JOINT COMMITTEE

REF: 02-18

DATE: 20/11/2018

**2018/19 MONTH 7 MONITORING POSITION AND PROJECTED OUTTURN:
2019/20 BUDGET**

**REPORT OF: TREASURER TO THE PROSIECT GWYRDD JOINT COMMITTEE
AGENDA ITEM: 6**

PURPOSE OF REPORT

1. To provide Joint Committee with an update of the financial monitoring position and projected outturn for the Prosiect Gwyrdd Budget based on the Month 7 position for the 2018/19 financial year.
2. For Joint Committee to consider the proposed 2019-20 Revenue Budget, including the projected balance of the Reserve Account, and to recommend these budgets to the partnering Councils for consideration as part of their budget planning frameworks for 2019-20.
3. To provide the partner Councils with early indicative estimates for the period from 2020-21 onwards.

BACKGROUND

4. The Joint Committee's budget approval process is set-out in the Joint Working Agreement 2 (JWA2). In addition, the JWA2 also provides that the budget is reviewed on a regular basis during the financial year and where appropriate, action taken to ensure sufficient resources are available to the project in order to deliver the agreed outcomes.
5. The Prosiect Gwyrdd Joint Committee approved the original 2018/19 Budget at its meeting on the 7th December 2017, which recommended the 2018/19 Revenue budget to the partner councils for consideration as part of their respective annual budget setting processes.

2018/19 MONITORING

6. Table 1 below provides an update on the Joint Committee's Month 7 financial position for the 2018/19 financial year. In summary the current position shows a projected gross expenditure outturn of £204,943 which represents a decrease of £48,299 over the original 2018/19 gross expenditure budget of £253,242.

TABLE 1: 2018/19 Summary Monitoring Position

	2018/19 Budget £	2018/19 Projected Outturn £	2018/19 Variance £
Project Team	193,542	179,492	(14,050)
Supplies & Services	22,510	22,899	389
Committee & Support Services	10,350	8,550	(1,800)
Organics Contribution	(39,170)	(37,248)	1,922
Expenditure funded by Partner Contributions	187,232	173,693	(13,539)
External Advisors	46,010	21,250	(24,760)
Contingency	20,000	10,000	(10,000)
Expenditure funded by Reserve Account	66,010	31,250	(34,760)
Gross Expenditure	253,242	204,943	(48,299)
Partner Contributions	(185,000)	(135,000)	50,000
Net Expenditure	68,242	69,943	1,701
Appropriations (from) / to Joint Committee Reserve A/c	(68,242)	(69,943)	(1,701)
Projected Balance of the Joint Committee Reserve A/c as at 31.03.2019		274,139	

7. The Project Team is currently reporting an underspend of £14,050. This variance assumes that the Project Officer post will remain vacant until the end of this financial year, with the current Project Administrator acting up to cover this role on a full time basis. In addition Agency staff have been recruited on a temporary basis to cover the Project Administrator post part time at 22 hours per week until March 2019.

8. The underspend of £24,760 with external advisors includes the assumptions that further advisor expenditure in the rest of the financial year will be pro-rata to the original budget provision. This assumption will be refreshed and reviewed to inform future monitoring reports. The actual spend to date on advisors is nil.
9. The only other significant expenditure variance identified in Table 1 is with the contingency provision which, in a similar manner to projected Advisor's expenditure, has also had a pro-rata reduction to reflect that there has been no requirement to use this budget in the financial year to date. Again this projection will continue to be reviewed to inform future monitoring reports.
10. In previous financial years rebates of £5,000 per partner have been applied. Based on the projected Reserve Account position at Month 7 a £10,000 rebate per partner is proposed for 2018/19. This position will be kept under review in future monitoring reports for the remainder of this financial year and appropriate adjustments made to this projected rebate if required. The projected balance for the Reserve account as at 31st March 2019 is £274,139 and this resource will be available to continue the principle of funding non-recurring Prosiect Gwyrdd expenditure in future financial years.

2019-20 BUDGET

11. A reasonable balance in the Reserve Account will be necessary to ensure that the Joint Committee has the financial flexibility to respond to unforeseen events without the need to ask Partner Councils to increase their in-year partner contributions. Against this background it is proposed that Partner contributions will continue to primarily fund the recurring regular expenditure of the Joint Committee, with the Reserve Account funding any ad-hoc non-recurring expenditure, specifically External Advisors and the contingency provision. Any in-year additional resource requirements such as an upturn in external advisor activity would be funded from further drawdowns from the Joint Committee Reserve Account. The projected balance for this account for the end of 2019-20 financial year assuming a full drawdown of the budgeted funding is £195,479.
12. Table 2 below provides a summary of the proposed Budget for 2019-20 as well as a comparison with the current 2018-19 budget. A pay award of 2% from 1st April 2019 has been assumed for uplifting employee costs with an indexation assumption of 2.5% being applied to the other non-employee budget headings.

TABLE 2: Summary Budget Position 2019-20

	2018-19 Original Budget £	2019-20 Proposed Budget £
Expenditure		
Contract Management Team	193,542	182,179
Supplies & Services	22,510	23,470
Support Services	10,350	8,760
Cardiff & Vale Organics Contribution	(39,170)	(40,868)
Expenditure – funded by Partner contributions	187,232	173,540
External Advisors	46,010	50,120
Contingency	20,000	20,000
Expenditure – funded by Reserve Account	66,010	70,120
Gross Expenditure	253,242	243,660
Partner Contributions	(185,000)	(185,000)
Appropriations from Joint Committee Reserve A/c	(68,242)	(58,660)
Projected Balance of the Joint Committee Reserve A/c as at 31.03.2020		215,479

13. A full year spend for the Contract Management team is assumed in the above budget along with a full year assumptions for External Advisors and contingency expenditure. The other budgets heads remain broadly unchanged with the proposed partner contributions unchanged at £185,000, which is £37,000 per partner.
14. The projected drawdown from the Reserve account is £58,660 to leave a projected balance on the account of £215,479 as at 31st March 2020.

POST 2019/20 INDICATIVE BUDGET PROJECTIONS

15. Table 3 below provides a summary of indicative Joint Committee budgets and partner contributions for the financial years 2020-21 to 2022-23 which have also been indexed by inflation assumptions of 1% for pay and 2.5% for other non-pay expenditure per annum. The projections are based on the continuation of a funding position adopted elsewhere in this report with the Reserve Account funding non-recurring expenditure. Any significant in-year drawdown from the Reserve may need to be subsequently replenished by the Partners but there would be sufficient early warning of this requirement to avoid in-year increases in Partner contributions.

16. An upper threshold of £275,000 and a lower threshold of £150,000 have been previously proposed for managing the Joint Committee Reserve Account but the account balance has been consistently above this threshold in recent years.

TABLE 3: Summary 2020-21 to 2022-23 Indicative Resource Requirements

Financial Year	Indicative Gross Expenditure Budget	Contributions per Partner	Reserve A/c funding	Projected Reserve A/c balance
	£	£	£	
2020-21	246,000	37,000	61,000	154,000
2021-22	250,000	37,000	65,000	89,000
2022-23	262,000	37,000	68,000	20,000

FINANCIAL IMPLICATIONS

17. This report provides Joint Committee with an update on the 2018/19 projected out-turn position at Month 7 with a gross expenditure underspend of £48,299 being projected. The projected balance of the Reserve Account at the end of 2018/19 is £274,139 which will be available to assist in funding non-recurring Prosiect Gwyrdd expenditure in future financial years.
18. The budget requirement of £243,660 for 2019-20 will be funded from partner contributions of £185,000 with the remaining funding of £58,660 being funded from a drawdown from the Reserve account. The closing projected Reserve Account balance of £215,479 assumes full drawdown in line with budget requirements for 2019/20 which will be monitored and updated accordingly with its implications for future years funding.
19. Indicative budgets have also been prepared for financial years 2020-21 to 2022-23 to inform Partner Councils in considering Prosiect Gwyrdd Joint Committee funding requirements in setting their Medium Term Financial Forecasts. These assume a continuation of the funding policy with the Reserve Account funding ad-hoc, non-recurring expenditure. The Reserve Account drawdown is dependent on sufficient resources being available to fund relevant expenditure. If Reserve Account resources are not sufficient then any shortfall will need to be made up either by partners contributing to the Reserve account and / or by increasing partner contributions. The expectation is that the balance of the Reserve Account can be managed to avoid any in year increases in Partner contributions.

LEGAL IMPLICATIONS

20. The Joint Working Agreement 2 (JWA2) in respect of the PG contract makes provision in respect of monitoring of costs, approving annual budgets (for recommendation to each Partner Council for approval) and council contributions. As part of the annual budget the JWA2 also allows Joint Committee to confirm the contingency to be included in the annual budget. The annual budget is the amount reasonably required to administer the contract.
21. It should be noted that the figures set out in this report are the best estimates at this time and as with any complex contract there is always a risk that the costs may exceed estimates as the contract progresses.

RECOMMENDATIONS

- a. That the Joint Committee notes the 2018/19 projected outturn forecast including the projected year-end balance for the Joint Committee Reserve Account.
- b. That the Joint Committee recommends the 2019-20 budget, including the proposed drawdown and closing balance of the Reserve Account, to the Partnering Councils for approval as part of their respective budget planning frameworks for 2019-20.
- c. The Joint Committee asks the Partnering Councils to note the indicative budgets, and associated partner contributions, outlined for the financial years 2020-21 to 2022-23.

Christine Salter
Section 151 Officer – Cardiff Council
Treasurer to the Prosiect Gwyrdd Joint Committee
20th November 2018

