

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

PROSIECT GWYRDD JOINT COMMITTEE

**REF: 02-19
DATE: 26/11/2019**

**2019/20 MONTH 7-MONITORING POSITION AND PROJECTED OUTTURN:
2020/21 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 2019/20 financial year.
2. For Joint Committee to consider the proposed 2020-21 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 2020-21.
3. To provide the partner Councils with early indicative estimates for the period from 2021-22 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 2019/20 Budget at its meeting on the 20th November 2018, which recommended the 2019/20 Revenue budget to the partner councils for consideration as part of their respective annual budget setting processes.

2019/20 MONITORING

6. Table 1 below provides an update on the Joint Committee's Month 7 financial position for the 2019/20 financial year. In summary the current position shows a projected gross expenditure outturn of £196,627 which represents a decrease of £47,034 over the original 2019/20 gross expenditure budget of £243,660.

TABLE 1: 2019/20 Summary Monitoring Position

	2019/20 Budget £	2019/20 Projected Outturn £	2019/20 Variance £
Project Team	182,178	165,729	(16,450)
Supplies & Services	23,470	20,150	(3,320)
Committee & Support Services	8,760	9,500	740
Organics Contribution	(40,868)	(32,252)	8,616
Expenditure funded by Partner Contributions	173,540	163,127	(10,414)
External Advisors	50,120	23,500	(26,620)
Contingency	20,000	10,000	(10,000)
Expenditure funded by Reserve Account	70,020	33,500	(36,620)
Gross Expenditure	243,660	196,627	(47,034)
Partner Contributions	(185,000)	(135,000)	50,000
Net Expenditure	58,660	61,627	2,966
Appropriations (from) / to Joint Committee Reserve A/c	(58,660)	(61,627)	(2,966)
Projected Balance of the Joint Committee Reserve A/c as at 31.03.2020		269,721	

7. The Project Team is currently reporting an underspend of £16,450. This variance assumes that the Project Administrator post will remain vacant until the end of January 2020 with Agency staff being used to cover the vacancy.
8. The underspend of £26,620 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 and there are no current commitments to engage in this financial year.

9. The 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. Based on the projected Reserve Account position at Month 7 a £10,000 rebate per partner is proposed for 2019/20. 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 2020 is £269,721 and this resource will be available to continue the principle of funding non-recurring Prosiect Gwyrdd expenditure in future financial years.

2020-21 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 2020-21 financial year assuming a full drawdown of the budgeted funding is £204,211.
12. Table 2 below provides a summary of the proposed Budget for 2020-21 as well as a comparison with the current 2019-20 budget. A pay award of 2% from 1st April 2020 has been assumed for uplifting employee costs with an indexation assumption of 2% being applied to the other non-employee budget headings.

TABLE 2: Summary Budget Position 2020-21

	2019-20 Original Budget £	2020-21 Proposed Budget £
Expenditure		
Contract Management Team	182,179	185,332
Supplies & Services	23,470	18,050
Support Services	8,760	9,700
Cardiff & Vale Organics Contribution	(40,868)	(40,103)
Expenditure – funded by Partner contributions	173,540	172,979
External Advisors	50,120	57,530
Contingency	20,000	20,000
Expenditure – funded by Reserve Account	70,120	77,530
Gross Expenditure	243,660	250,509
Partner Contributions	(185,000)	(185,000)
Appropriations from Joint Committee Reserve A/c	(58,660)	(65,509)
Projected Balance of the Joint Committee Reserve A/c as at 31.03.2021		204,211

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 £65,509 to leave a projected balance on the account of £204,211 as at 31st March 2021.

POST 2020/21 INDICATIVE BUDGET PROJECTIONS

15. Table 3 below provides a summary of indicative Joint Committee budgets and partner contributions for the financial years 2021-22 to 2023-24 which have also been indexed by inflation assumptions of 2% for both pay awards and 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 2021-22 to 2023-24 Indicative Resource Requirements

Financial Year	Indicative Gross Expenditure Budget	Contributions per Partner	Reserve A/c funding	Projected Reserve A/c balance
	£	£	£	
2021-22	256,000	37,000	67,000	138,000
2022-23	261,000	38,600	68,000	70,000
2023-24	266,000	39,400	69,000	0

FINANCIAL IMPLICATIONS

17. This report provides Joint Committee with an update on the 2019/20 projected out-turn position at Month 7 with a gross expenditure underspend of £47,034 being projected. The projected balance of the Reserve Account at the end of 2019/20 is £269,721 which will be available to assist in funding non-recurring Prosiect Gwyrdd expenditure in future financial years.
18. The budget requirement of £250,509 for 2020-21 will be funded from partner contributions of £185,000 with the remaining funding of £65,509 being funded from a drawdown from the Reserve account. The closing projected Reserve Account balance of £204,211 assumes full drawdown in line with budget requirements for 2020/21 which will be monitored and updated accordingly with its implications for future years funding.
19. Indicative budgets have also been prepared for financial years 2021-22 to 2023-24 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 2019/20 projected outturn forecast including the projected year-end balance for the Joint Committee Reserve Account.
- b. That the Joint Committee recommends the 2020-21 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 2020-21.
- c. The Joint Committee asks the Partnering Councils to note the indicative budgets, and associated partner contributions, outlined for the financial years 2021-22 to 2023-24.

Christopher Lee
Section 151 Officer – Cardiff Council
Treasurer to the Prosiect Gwyrdd Joint Committee

26th November 2019