

**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
18TH December 2019**

REPORT OF:

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

| AGENDA ITEM NO. |
|---|
| 2019-2020 BUDGET MONITORING & 2020-2021 BUDGET PROPOSALS |

PURPOSE OF REPORT

1. This report provides members with the projected full year revenue outturn for the 2019/20 financial year. It also details the proposed revenue budget for 2020/21.

PROJECTED OUTTURN POSITION FOR FINANCIAL YEAR 2019/20

2. Appendix 1 details the position for the 2019/20 financial year, as forecast at 31st October 2019. This is summarised in the table below.

Table 1: Projected Outturn 2019/20 (at 31st October 2019)

| | Budget £ | Actual to date £ | Projection £ | Variance £ |
|----------------------------|----------------|------------------------|-----------------|-----------------|
| Expenditure | | | | |
| Employees | 559,255 | 323,113 | 553,289 | (5,966) |
| Premises | 275,115 | 235,561 | 278,757 | 3,642 |
| Transport | 1,000 | 680 | 944 | (56) |
| Supplies & Services | 23,640 | 25,042 | 37,915 | 14,275 |
| Support Services | 28,090 | 26,620 | 27,684 | (406) |
| GROSS EXPENDITURE | 887,100 | 611,016 | 898,589 | 11,489 |
| Income | (183,100) | (169,856) | (246,643) | (63,543) |
| Contribution from Reserves | (50,000) | 0 | (50,000) | 0 |
| NET EXPENDITURE | 654,000 | 441,160 | 601,945 | (52,055) |

The net expenditure for the full year is projected to be £601,945 which represents an underspend of £52,055 against the approved budget of £654,000. This underspend will be added to the General Reserve as shown in table 2 below.

Table 2: Projected Reserve Balance 2019/20

| | £ |
|---|----------------|
| Opening Balance at 1st April | 175,967 |
| Budgeted Drawdown | (50,000) |
| Underspend Projected | 52,055 |
| Closing Balance at 31st March | 178,022 |

The main variances and reasons for them are outlined in the sections below with detail provided in Appendix 1.

Employees - £5,966

3. Projected costs total £553,289 against a budget of £559,255. The majority of this underspend consists of £13,566 on salaries and oncosts because of the Archivist reducing working hours by 25% throughout the year. Additional costs of £2,000 for staff overtime are projected but this is funded through the Business Archive Council, which covers the cost of seven hours per week for an Archivist post, working specifically on the Motorway Archive.
4. Similarly, there are additional costs of £2,077 for Agency Staff to date but this is funded through the Wellcome Trust and is not expected to increase.
5. The Apprenticeship Levy for the year is projected to be £1,994, for which there is no budget provision in 2019/20. 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 annual pay bill so monthly payments do fluctuate. This cost has been built into the 2020/21 budget.
6. Staff training expenses are projected to be £1,000 but the majority of this will be offset by grant funding from the Archives and Records Council Wales (ARCW). This includes the Digital Preservation training course, exhibition and Sporting Heritage Summit training.

Premises + £3,642

7. It is anticipated that there will be an overspend on premises costs of £3,642. This is mostly due to a projected overspend of £2,885 on the Property Insurance charges against a budget of £2,500. This reason for this is that the Council changed to a different insurance provider last year, moving from Zurich Insurance to AIG. A review of the basis on which premiums are calculated has resulted in increased costs.

8. There is also a projected overspend of £2,395 for maintenance contracts bringing the total to £14,395. This includes almost £3,000 for gates maintenance and contracts including servicing work on the lift, revolving and electric side doors, PAT testing and service of the evacuation chair. Further overspends are projected for security measures, refuse collection and contract cleaning, detail of which can be found in Appendix 1.
9. The National Non Domestic Rates cost will have an overspend of £1,415, following confirmation of the multiplier charge for 2019/20.
10. Some of the above overspend has been offset by projected underspend in water rates. The budget for water was £6,625 due to the high charges received in the past but these have reduced over the last couple of years and therefore the projected £2,025 is based on last year's outturn. As discussed at the Month 4 committee meeting, Legal have contacted Welsh Water regarding the fluctuations in costs and we are awaiting a response.

Supplies & Services + £14,275

11. An overspend of £14,275 is projected for supplies and services and this is due to a number of factors. Catering sundries were budgeted at £1,250 but as at month 7, there is a projected overspend of £1,700 due to vending machine and water cooler hire, the costs of which have been greater than anticipated.
12. There was no budget set for General Printing and Stationery as this was considered a saving, however, grant funding of £1,650 was received to purchase pop up banners for events. In addition, £608 was spent on document slips that were needed and it is unlikely that these will need to be replenished within the next year.
13. The spend of £1,786 for consultants' fees will remain static and these are to be funded by a grant awarded from the Archives and Records Council Wales (ARCW) for the Out of the Box project 'Engaging the Community Through Art'.
14. Finally, there was no provision for maintenance and development in year but the actual cost to date of £1,569 is for the setup of online payments. This one-off cost will provide a benefit in the long term as more customers can now access and pay for services online.

Support Services - £406

15. There is an overall projected underspend of £406 for support services. This is mainly because there have been no recharges for Procurement or Legal in year. Most charges will remain as they are for the remainder of 2019/20 except for Bilingual Cardiff for which charges are received as and when translation services are required.

Income - £63,543

16. The projected income is £63,543 more than budgeted. This is mainly due to a late award notification of £87,343 from New Burdens Grant funding. Similarly, there has been an additional Archives Revealed grant to fund an Archivist at the top of a Grade 6 for a year, four months of which fall within 2019/20 and further grant funding has been received from the Department of Work and Pensions to cover the employment of a Records Assistant. This additional income will offset the reduction in Wellcome Trust funding which ceased in year when the relevant projects ended.
17. Conservation income is projected to be £19,900 against a budget of £15,000. The additional income includes funds from Pontypidd Registrars and West Glamorgan Archives for work undertaken on their behalf as well as income from additional box orders received in year.
18. Income from the sale of food is projected to be £1,285 more than budgeted due to the popularity of room bookings and associated refreshments.
19. Donations are also higher than expected with £1,308 received to date against budgeted income of £600. Whilst this is a difficult area to project, if donations continue as they are, they are projected to total £1,500.

Local Authority Contributions

20. An underspend of £52,055 is projected in 2019/20 against the budget set for the year. This includes the £50,000 budgeted drawdown from Reserves. Since 2015/16, the policy is that any underspend will be paid into 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 overall underspend will mean that a drawdown from Reserves will not be required for 2019/20, and instead there will be a surplus of £2,055 credited back to it.

PROPOSED BUDGET FOR FINANCIAL YEAR 2020/21

21. The proposed budget for the 2020/21 financial year reflects a net budget totalling £654,000, which is the same as 2019/20.
22. Despite the policy of phasing out the use of the General Reserve as a source of funding, financial pressures in premises costs and a projected decrease in income, mean that the drawdown from Reserves will remain at £50,000. In order to ensure that Reserve levels are kept at a prudent level to manage risks of variation in costs and income, it is likely that future Local Authority contributions will have to increase in order to balance the budget.
23. The table below summarises the proposed budget for 2020/21. A more detailed analysis can be found in Appendix 2.

Table 3: 2020/21 Proposed Budget

| | 2019/2020 Budget £ | 2020/2021 Budget £ | Increase/ (Decrease) |
|---------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Expenditure | | | |
| Employees | 559,255 | 526,242 | (33,013) |
| Premises | 275,115 | 276,897 | 1,782 |
| Transport | 1,000 | 900 | (100) |
| Supplies & Services | 23,640 | 23,232 | (408) |
| Support Services | 28,090 | 28,591 | 501 |
| GROSS EXPENDITURE | 887,100 | 855,861 | (31,239) |
| Income | (183,100) | (151,861) | 31,239 |
| Contribution from Reserve | (50,000) | (50,000) | 0 |
| NET EXPENDITURE | 654,000 | 654,000 | 0 |

24. 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 - £33,013

25. Within the proposed budget there is a total projected decrease in employee spend of £33,013. The main reason for this is that the new Archivist will be in post from 1st April 2020 and they will be starting at the mid-point of an Operational Manager (OM2) post, reducing the overall salary and on-costs. All salaries have a budgeted increase of 2% in line with inflation and estimated National Insurance increments for 2020/21 have been used. These costs could change once the National Insurance thresholds are finalised by Government however. Finally, an expected reduction in the employer's superannuation rate

from 23.5% to 20.7% means that pension contributions will decrease (this reduction in rate is subject to final approval and sign-off).

26. A budget has been included for the Apprenticeship levy, which is applicable to all employers with an annual pay bill in excess of £3 million. This is calculated at a rate of 0.5% of an employer's annual pay bill and the budget has been set based on a 2% increase on 2019/20 outturn projections.
27. Employer and public liability insurance has also been projected based on a 2% increase of the premiums paid in 2019/20 as well as allowing for any excess payments that may be required.

Premises + £1,782

28. As stated last year, the net increase in the premises budget reflects a realistic need for maintenance as the building gets older. Budget for repairs, alterations and maintenance however has remained the same. The nature of this spend means that it is difficult to project but previous outturn figures have been in line with this. Where possible, a 2% inflationary increase has been budgeted based on 19/20 outturn projections, such as for security and grounds maintenance. Office Cleaning contracts have a projected increase of 5.6% in line with the National Living Wage increase. The NNDR costs have a projected increase of approximately £4,000 for 2020/21 in line with the current assumption of a 2% increase in inflation. Electricity costs have remained the same as 2019/20 but costs for gas have been reduced to reflect the outturn for 2018/19 and the projected outturn for 2019/20.

Transport - £100

29. The transport budget has been reduced to reflect current projections with less use of hire vehicles and public transport. This is the result of increased digitalisation, which reduces the need to travel.

Supplies & Services - £408

30. The planned reduction in the supplies and services budget largely consists of slightly lower conservation costs, which have reduced by £2,000. This is because most conservation costs are covered by grant income and the budget of £5,000 has been set specifically for Glamorgan Archives' use rather than grant assisted conservation. Part of this saving is however offset by increased costs elsewhere for telephone and internet charges as well as vending machine contracts, which have a budgeted increase in line with inflation.
31. Catering sundries are expected to increase in line with the outturn projections for 2019/20 but much of this expenditure covers the cost of refreshments for meetings and is therefore recouped through the sale of food.

Support Services + £501

32. All support services have a budgeted 2% increase in line with inflation and the budgeted increase in salaries.

Income + £31,239

33. This net decrease is mostly due to a reduction in grant income. For those posts that are grant funded through the Department of Work and Pensions and the Archives Revealed grant, a projection has been made for income based on salaries and oncosts. There is no Wellcome Trust grant income budgeted for this year, as there are no longer posts funded from this pot.

34. Hire of Specialist Rooms maintains a budgeted income of £56,000 for 2020/21. Despite the fact that Carmarthenshire Archives will be vacating the building when their own facility reopens, there have already been enquiries for future hire and therefore it is expected that this income will continue. This category also includes meeting room bookings, which continue to increase due to their popularity.

35. The sale of food has also increased in line with room bookings as more people book catering for their meetings. This increase is in line with the expenditure on catering sundries and contributes towards netting this off.

36. There remains a budget gap of £14,845 but this has been added to Sundry Income as an income savings target. Sustainable grant and income sources will need to be actively pursued in order to meet this target. The nature of grant funding means that it is often difficult to project but previous years' experience shows that additional income is likely to be received in year from a funding source. An example of this is the New Burdens grant received in October of this year. If this is not the case however, it is important to stress that any budget gap will have to be funded from the Reserve or costs will have to be reduced elsewhere.

General Reserve

37. In line with the budget strategy approved in 2015/16, the need to drawdown from the General Reserve was due to cease in 2019/20. Due to previous year pressures however, this has not been feasible and the budgeted drawdown for 2019/20 remains at £50,000. Whilst current projections suggest that this may not be necessary this year, reducing the budgeted drawdown to £25,000 in 2020/21 seems unrealistic in light of the pressures faced year on year.

38. It is therefore proposed that the budgeted use of the Reserve remains at £50,000 for 2020/21 and is then reduced to £25,000 in 2021/22, before ceasing in 2022/23. This would result in a Reserve balance of circa £100,000 at the end of the 2021/22 financial year, assuming no significant overspends or underspends in

the intervening years. Implementing this Reserves strategy results in no increase to contributions from Authorities in 2020/21.

Local Authority Contributions

39. 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 2020/21

| Authority | % | 2019/20 | 2020/21 | 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 |

40. It is proposed that the contributions for 2020/21 will be invoiced in two equal instalments, as per the current arrangement (July and February). Any overspends will be managed through contributions from the General Reserve, where possible, although it must be stressed that this is not a long-term solution and consideration will need to be given to future contributions or further savings in order to maintain a realistic and manageable budget for the level of service delivery.

Medium Term Position

41. As outlined in various parts of the report, the challenge in identifying efficiency savings is becoming more difficult 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.

42. Work has begun on a Medium Term Financial Plan, budgeting for the next five years where possible. This will be shared with finance officers in the New Year. As part of this exercise, there will be a need to identify efficiency savings and methods of reducing costs as well as looking for additional income streams. In addition, there will be a need to consider the level of contribution made by the six member authorities. This will involve considering an increase in contribution

in order to maintain a realistic and achievable budget for the future. As the building gets older, it is important to be mindful of increased maintenance and repair costs that may be required. Similarly, staff costs will continue to increase in line with inflation and the Archivist salary will increase year on year with increments.

SUMMARY

43. For the current year, the net cost of the provision of the Glamorgan Archives Service is projected to be £601,945 against the approved budget of £654,000. This includes the drawdown from Reserves of £50,000 however, representing an overall underspend of £52,055. If the drawdown is not needed, there will be a surplus of circa £2,000 to be added to the Reserve.
44. There will be no change in Local Authority contributions budgeted for in 2020/21. Use of the General Reserve to drawdown £50,000 will fund the budget gap as well as an additional income savings target.
45. Budgeted use of the Reserve is proposed to be £50,000 in 2020/21 and £25,000 in 2021/22, after which further savings will need to be identified or additional contributions from member Local Authorities will be necessary.

FINANCIAL IMPLICATIONS

46. An underspend of £52,055 is projected for 2019/20 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 underspend, and provided this continues, it will not be necessary to drawdown additional monies from the General Reserve. If projections are correct, there will be surplus funds to pay into the General Reserve, leaving an estimated balance of £178,022 at the end of the current financial year.
47. Further planned use of the General Reserve will be £50,000 in 2020/21 reducing to £25,000 in 2021/22, taking reserve levels down to circa £100,000. This level of reserve is considered adequate for an organisation of this size.

LEGAL IMPLICATIONS

48. 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.
49. The Committee is required under the terms of the Agreement to approve draft budget proposals for 2020/21 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

50. It is recommended to Members that they:

- Note the projected full year position for the 2019/20 financial year as presented in paragraphs 2 to 20 of this report.
- Recommend the draft budget proposals for 2020/21 be accepted, as presented in paragraphs 21 to 42 of this report.
- Recommend that officers progress work with local authority representatives to develop a sustainable approach to the medium term budget challenges.

Christopher Lee

Treasurer to the Glamorgan Archives Joint Committee