



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

PROSIECT GWYRDD JOINT COMMITTEE

REF: 02-20

DATE: 01/12/2020

**2020/21 MONTH 7 MONITORING POSITION AND PROJECTED OUTTURN:
2021/22 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 2020/21 financial year.
2. For Joint Committee to consider the proposed 2021-22 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 2021-22.
3. To provide the partner Councils with early indicative estimates for the period from 2022-23 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 2020/21 Budget at its meeting on the 26th November 2019, which recommended the 2020/21 Revenue budget to the partner councils for consideration as part of their respective annual budget setting processes.



2020/21 MONITORING

6. Table 1 below provides an update on the Joint Committee's Month 7 financial position for the 2020/21 financial year. In summary the current position shows a projected gross expenditure outturn of £192,064 which represents a decrease of £58,445 over the original 2020/21 gross expenditure budget of £250,509.

TABLE 1: 2020/21 Summary Monitoring Position

	2020/21 Budget £	2020/21 Projected Outturn £	2020/21 Variance £
Project Team	185,332	167,401	(17,931)
Supplies & Services	18,050	17,850	(200)
Committee & Support Services	9,700	10,000	300
Organics Contribution	(40,103)	(36,688)	3,415
Expenditure funded by Partner Contributions	172,979	158,564	(14,415)
External Advisors	57,530	23,500	(34,030)
Contingency	20,000	10,000	(10,000)
Expenditure funded by Reserve Account	77,530	33,500	(44,030)
Gross Expenditure	250,509	192,064	(58,445)
Partner Contributions	(185,000)	(135,000)	50,000
Net Expenditure	65,509	57,064	(8,445)
Appropriations (from) / to Joint Committee Reserve A/c	(65,509)	(57,064)	8,445
Projected Balance of the Joint Committee Reserve A/c as at 31.03.2021		266,799	

7. The Project Team is currently reporting an underspend of £17,931. This variance is a consequence of the Budget being based on top of the pay scale costings and full employee on-costs. The 2020/21 Budget was prepared before the results of the tri-annual Pension Fund review were available with the subsequent decrease in the Employers contribution rate for Cardiff Council with effect from 1st April 2020.
8. The underspend of £34,030 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. The actual spend to date on advisors is nil and there are no current commitments to engage advisors 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 there are no current commitments to use the contingency budget in this financial year.
10. Based on the projected Reserve Account position at Month 7 a £10,000 rebate per partner is proposed for 2020/21. 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 2021 is £266,799 and this resource will be available to continue the principle of funding non-recurring Prosiect Gwyrdd expenditure in future financial years.

2021-22 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 2021-22 financial year assuming a full drawdown of the budgeted funding is £203,441.
12. Table 2 below provides a summary of the proposed Budget for 2021-22 as well as a comparison with the current 2020-21 budget. A pay award of 2% from 1st April 2021 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 2021-22

	2020-21 Original Budget £	2021-22 Proposed Budget £
Expenditure		
Contract Management Team	185,332	182,607
Supplies & Services	18,050	18,450
Support Services	9,700	10,200
Cardiff & Vale Organics Contribution	(40,103)	(40,429)
Expenditure – funded by Partner contributions	172,979	170,828
External Advisors	57,530	57,530
Contingency	20,000	20,000
Expenditure – funded by Reserve Account	77,530	77,530
Gross Expenditure	250,509	248,358
Partner Contributions	(185,000)	(185,000)
Appropriations from Joint Committee Reserve A/c	(65,509)	(63,358)
Projected Balance of the Joint Committee Reserve A/c as at 31.03.2022		203,441

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 £63,358 to leave a projected balance on the account of £203,441 as at 31st March 2022.

POST 2021/22 INDICATIVE BUDGET PROJECTIONS

15. Table 3 below provides a summary of indicative Joint Committee budgets and partner contributions for the financial years 2022-23 to 2024-25 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 2022-23 to 2024-25 Indicative Resource Requirements

Financial Year	Indicative Gross Expenditure Budget	Contributions per Partner	Reserve A/c funding	Projected Reserve A/c balance
	£	£	£	
2022-23	253,000	37,800	64,000	139,000
2023-24	259,000	38,600	66,000	73,000
2024-25	264,000	39,400	67,000	6,000

FINANCIAL IMPLICATIONS

17. This report provides Joint Committee with an update on the 2020/21 projected out-turn position at Month 7 with a gross expenditure underspend of £58,445 being projected. The projected balance of the Reserve Account at the end of 2020/21 is £266,799 which will be available to assist in funding non-recurring Prosiect Gwyrdd expenditure in future financial years.
18. The budget requirement of £248,358 for 2021-22 will be funded from partner contributions of £185,000 with the remaining funding of £63,358 being funded from a drawdown from the Reserve account. The closing projected Reserve Account balance of £203,441 assumes full drawdown in line with budget requirements for 2021/22 which will be monitored and updated accordingly with its implications for future years funding.
19. Indicative budgets have also been prepared for financial years 2022-23 to 2024-25 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. These legal implications deal with the implications for the PG Contract/Joint working agreement. 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 2020/21 projected outturn forecast including the projected year-end balance for the Joint Committee Reserve Account.
- b. That the Joint Committee recommends the 2021-22 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 2021-22.
- c. The Joint Committee asks the Partnering Councils to note the indicative budgets, and associated partner contributions, outlined for the financial years 2022-23 to 2024-25.

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

1st December 2020