

**THE COUNTY COUNCIL OF THE CITY AND COUNTY OF CARDIFF,
COUNTY BOROUGH COUNCILS OF BRIDGEND, CAERPHILLY,
MERTHYR TYDFIL, RHONDDA CYNON TAF AND THE VALE OF
GLAMORGAN**

11 December 2020

2020/21 MONTH 7 MONITORING REPORT AND 2021/22 BUDGET PROPOSALS

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

Reason for this Report

1. To provide the Glamorgan Archives Joint Committee with details of actual expenditure and income as at the 31st October 2020 (Month 7), against the approved 2020/21 Budget and projections for the full year outturn position. Also to provide details of the proposed revenue budget for 2021/22.

Background

2. Members approved the 2020/21 budget in December 2019.
3. The budget is funded from local authority revenue contributions, apportioned on the relative populations.
4. The current General Reserve balance is £174,385.

Table 1: Projected Outturn 2020/21 (at Month 7)

	Budget £	Actual to date £	Projection £	Variance £
<u>Expenditure</u>				
Employee Related	526,242	314,064	525,323	(919)
Premises Related	276,897	238,226	302,954	26,057
Transport Related	900	71	321	(579)
Supplies & Services	23,232	12,729	39,843	16,611
Support Services	28,591	30,325	30,835	2,244
GROSS EXPENDITURE	855,861	595,414	899,277	43,414
<u>Income</u>				
Income	(151,861)	(32,288)	(142,979)	8,882
Contribution from Reserves	(50,000)	0	(50,000)	0
NET EXPENDITURE	654,000	563,127	706,298	52,297

Glamorgan Records Office: Overspend £52,297 Projected

5. The position at month 7 has improved since month 4 and overspend has reduced from £60,792 to £52,297. The main reasons for the overspend are detailed below.

Employee Budget: (£526,242 budget, £919 underspend)

6. The employee budget is based on 18 FTE staff, two of which are funded through grant income or external contributions. Despite the 2020/21 pay award of 2.75% awarded in October 2020, the employee budget is projected to be underspent by £919, as a grant-funded member of staff will be leaving the Archives in December when the Time and Tide project ends.
7. The table below provides detail on how much employee expenditure is funded by grants and external contributions:

Table 2: Employee Costs 2020/21 (at Month 7)

	Budget	Actual	Projected	Variance
	£	£	£	£
<u>Employees</u>				
Employee Expenditure	526,242	314,064	525,323	(919)
Employee Income - Grants	(25,553)	(7,071)	(26,069)	(516)
Employee Income - DWP	(9,413)	(3,326)	(7,154)	2,259
Employees Total	491,276	303,667	492,100	824

Premises Related Budget: (£276,897 budget, £26,057 overspend)

8. The current projected overspend of £20,615 for repairs, alterations and maintenance is due to an overdue, statutory requirement to re-gas fire suppression cylinders across the building in order to ensure its safety. Other maintenance work carried out whilst the building was closed due to the pandemic includes lighting and emergency lighting repairs, smoke detector replacement, repairs to the cooling unit and legionella investigative work.
9. Maintenance contracts have a projected overspend of £2,871, which includes an unbudgeted additional fee for the box-making machine (£1,400) as well as a 2.2% increase in CMB costs, the company that provides general maintenance work for the building.
10. Further projected overspends include utility costs such as electricity (£1,691) and gas (£655). Despite the building being closed for a duration of four months, the specialist air conditioning units in the strong rooms had to be kept running and now that the building has reopened into the winter months, this is the time of year in which additional utility usage would be expected.

Transport Budget: (£900 budget, £579 underspend)

11. Transport costs have remained as at month 4 and due to the current Covid-19 pandemic and the move towards digital meetings, there is little travel anticipated for the remainder of the year. A projection of circa £300 has been included in case of any need to travel such as to view collections or to collect accessions.

Supplies & Services Budget: (£23,232 budget, £16,611 overspend)

12. This overspend is largely due to increased expenditure on conservation (£6,461) and consultation fees (£5,025). Some of this is for work on the 'Conservation of the Plymouth Estate Surveys' project which is offset by grant funding from the National Manuscripts Conservation Trust (NMCT). It also links to a project regarding manuscripts in the Foyle Opera Rara Collection, which was commissioned by the Royal Welsh College of Music and Drama (RWCMD).
13. A projected overspend of £2,230 on IT Consumables and Hardware is the result of PC upgrades required for the building.
14. There is a projected underspend of £2,000 on catering sundries because of the building closing and meetings being cancelled but this is offset by a reduction in catering income.
15. The reopening of the building to both staff and the public following Government guidelines has incurred unbudgeted spend in terms of personal, protective equipment (PPE) and cleaning materials such as hand sanitising stations. Overall projected spend for this is £4,494 but this will be offset by a grant from the Museums, Archives and Libraries Division (MALD) to fund reopening as a result of the Covid-19 pandemic.

Support Services Budget: (£28,591 budget, £2,244 overspend)

16. Despite underspends in areas such as accountancy and procurement, ICT and translation recharges have exceeded original budgets resulting in overspend. Now that recharges have been posted to the ledger, the projections will only change depending on translation work that is required from Bilingual Cardiff.

Income Budget: (£151,861 budget, £8,882 under achieved)

17. The position at month 7 has improved greatly from that at month 4 (£8,882 instead of £30,514 under achieved) and this is predominantly the result of additional funding received (£7,800 from NMCT and £8,508 from RWCMD) by way of grants and commissioned work which will be used towards staffing costs and conservation expenditure. In addition, there was no budget for Wellcome Trust funding this year as the project ended in 2019/20 but an additional receipt of £1,656 has been received in respect of the last payment.

18. Royalties have a projected outturn of £14,000, which is £6,000 more than expected. This increase is the result of 2 years' worth of royalties from 'Ancestry' and the fact that the Parish registers are now also available online with 'Find My Past' and 'The Genealogist'. This projected income is expected in the last quarter of 2020/21.
19. Despite the increase in grants, commissioned works and royalties, there is a projected reduction in income (circa £26,000) from room hire, which includes both the use of meeting rooms and storage facilities within the building. This is a direct result of Covid-19 as all room bookings since March have been cancelled. Despite the building reopening to staff, it is unlikely that meeting space will be required for the remainder of the year. This too has impacted upon the sale of food (£6,400 less) and is in line with reduced expenditure.
20. The use of 'Zoom' for virtual appointments to assist customers is an income-generating tool initiated during lockdown, which launched in September. There has not yet been any uptake on this service but it is hoped that this facility will help to generate income over the coming months whilst the building remains under restrictive operation.
21. Sundry income is projected to be £43,670, which is £12,712 more than expected. This line includes a Department of Work and Pensions (DWP) payment to cover the costs of an employee as well as the New Burdens payment from the National Archives, which will equal £34,257.81. This grant payment refers to 2019/20 but cannot be budgeted for as it is not a certainty and is dependent on public record accessions taken in the previous year.

Local Authority Contributions

22. Based on the projected outturn for 2020/21 as detailed in this report, the Local Authority contributions to fund the Service will be in line with the budgeted contributions as previously notified to the Committee. Invoices for the first half of 2020/21 have been raised in line with budget.
23. Should there be an overspend at the end of the year as projected; this will need to be funded through an additional drawdown from the General Reserve and any surplus generated will be added back.

Covid-19

24. The Glamorgan Archives, like most organisations, has been greatly impacted upon by the outbreak of the Covid-19 virus. The doors of the building were closed on 19th March 2020 and whilst staff have started a phased return, the building remains closed to the public whilst circumstances and working practices are continually monitored.
25. Whilst expenditure has increased in order to account for PPE and safety equipment, this has been reimbursed via a grant and therefore has not had a

significant impact on the budget. The same cannot be said of income, which has significantly reduced due to the closure of the building. There may also be further impacts of lost income realised next financial year when any potential grants received in relation to accessions are reduced because of the closure.

26. As the lead body, Cardiff Council are continuing to record and monitor the financial impact of Covid-19 and a claim for lost income was submitted to the MALD division of Welsh Government in October for £24,000. Linked to this bid was a claim for £48,000 for digital equipment. The Archives have yet to hear if the claim has been successful but in the meantime are continuing to explore avenues through which to claim for lost income. Until a decision is made, any further impacts will need to be managed within existing budgets and the position will continue to be assessed as part of the 2020/21 monitoring process.

Month 7 Summary

27. Projected expenditure for 2020/21 indicates overspend against approved budgets of £52,297, which, if realised, will result in the need for an additional drawdown from the General Reserve. Whilst there is currently capacity to allow for this, the budget already assumes a £50,000 drawdown for the year and therefore it will have a significant affect, taking the Reserve balance below a prudent level.
28. The development of a Medium Term Financial Plan has been completed in light of this situation and has been used to help steer the 2021/22 budget presented as part of this report. It has also assisted with determining future local authority contributions needed to balance the budget and maintain a sufficient level of reserves.

PROPOSED BUDGET FOR FINANCIAL YEAR 2021/22

29. The proposed budget for the 2021/22 financial year reflects a net budget totalling £758,640, which is a 16% increase on the net budget for 2020/21.
30. Once again, the policy of trying to phase out the use of the General Reserve as a source of funding has been unattainable due to financial pressures as a result of the Covid-19 pandemic as well as the increasing National Non-Domestic Rates and maintenance costs as the building gets older. This means that a drawdown from the General Reserve will also be required to supplement the increase in Local Authority contributions.
31. The table below summarises the proposed budget for 2021/22. A more detailed analysis can be found in Appendix 2.

Table 3: 2021/22 Proposed Budget

	2020/2021 Budget £	2021/2022 Budget £	Increase/ (Decrease)
Expenditure			
Employees	526,242	517,356	(8,886)
Premises	276,897	294,516	17,619
Transport	900	240	(660)
Supplies & Services	23,232	29,279	6,047
Support Services	28,591	33,100	4,509
GROSS EXPENDITURE	855,861	874,490	18,629
Income	(151,861)	(75,850)	76,011
Contribution from Reserve	(50,000)	(40,000)	10,000
NET EXPENDITURE	654,000	758,640	104,640

32. In preparing the figures above, consideration has been given to the budgetary pressures on the service alongside potential, and achievable, savings and income growth.

Employee Budget: Decrease of £8,886

33. Despite factoring in a potential pay increase, the decrease in budget is mainly the result of the Time and Tide (Archives Revealed Funding Stream) project coming to an end and therefore a reduced staff provision from April 2021 onwards. This saving will be offset by a reduction of income, as the project was grant funded.
34. The budget for employee allowances has also been reduced given the financial pressures. Additional budget lines have however been built in for both medical

and training expenses, the latter to ensure that compulsory first aid training can be provided for the safe operation of the building.

Premises Budget: Increase of £17,619

35. As the building gets older, the premises budget will need to increase realistically in order to allow for general maintenance and repairs. The nature of this spend however makes it difficult to project and therefore this line in the budget has remained at £20,000. It must be noted that any large items of spend over and above the maintenance budget may need to be funded from the Reserve if possible, as was the case with the fire suppression cylinders in 2020/21.
36. Utility costs such as electricity and gas have increased in line with the 2019/20 outturn and allowing for an inflationary increase. The projections for the 2020/21 outturn are lower but the building was closed for four months and this is therefore not a realistic projection moving forward.
37. National Non-Domestic Rates are consistently under budgeted and therefore have been increased to £194,245 in line with a 3% increase on 2020/21 charges.
38. Inflationary increases of 2% have been added where possible to 20/21 outturn projections for expenditure items involving contracts such as grounds maintenance, fire management, pest control and office cleaning.

Transport Budget: Decrease of £660

39. The transport budget has been reduced to reflect current 20/21 projections and takes into account the changing ways of working. With travel for work greatly decreasing because of the pandemic and digital meetings becoming more popular, a transport budget similar to previous years is unlikely to be necessary.

Supplies & Services Budget: Increase of £6,047

40. This increase is largely due to the need for personal, protective equipment (PPE), which will be required, moving forward for the safety of both staff and the public within the Archives building. This is a new item within the budget and has been calculated based on buildings with a similar purpose and in relation to footfall. The costs will be monitored to ensure realistic but the inclusion will ensure that there is budget for items such as mandatory facemasks and gloves.
41. An additional line has been added to the budget for Box Making supplies to separate these out from general conservation expenditure and the same has been applied to the income budget. This will assist with financial monitoring, as it will identify the expenditure that is specifically offset by income.

42. The budget for catering sundries has reduced by £1,500 in line with the budgeted decrease in income from room bookings. A small budget has however been included in case of the need to buy supplies in 2021/22.
43. The budget for subscriptions has increased to allow for mandatory subscriptions such as Harwell Document Recovery Services and the Archives and Records Council Wales (ARCW) membership, which are required for the Archives to continue to operate as a service.

Support Services Budget: Increase of £4,509

44. Most support services have increased by 2.5% in line with the budgeted salaries but the increase in ICT Services is the result of an anticipated increase in ICT costs and is non-controllable.

Income Budget: Decrease of £76,011

45. The income target of £75,850 shows a net decrease of £76,011 from the 2020/21 budget, for which there are a number of reasons, most notably reduced income from room hire and reduced grant income.
46. The Covid-19 pandemic has impacted greatly upon the income budget in 2020/21 with all room bookings being cancelled due to building closure and social distancing guidelines. This too has influenced the sale of food, which has a decreased income target of £6,000. Looking ahead to 2021/22, there is uncertainty as to whether these bookings will resume and therefore the budget has decreased in line with this.
47. Hire of Special Rooms also includes income received from use of the strong rooms, which until recently, have been utilised by Carmarthenshire Archives whilst their own building was completed. Their collections are likely to be removed in the New Year however, and the space will remain empty and without income generation until a replacement occupant is found.
48. The Sundry Income line includes miscellaneous grant income received in year, either for a specific project or to offset expenditure. In the past, there has been an income target included for a New Burdens grant from the National Archives, which is awarded based on accessions received into the Archives during the previous year. As there have been no public record accessions to date in 2020/21, it is anticipated that grant funding will not be received in 2021/22. A budget of £10,000 has been included for income from the DWP to cover the costs of an employee but this is offset by the expenditure budget.

General Reserve: Drawdown of £40,000

49. Despite attempts in the past to phase out the use of Reserves to balance the budget, increased costs and reduced income as well as the freezing of local authority contributions has made this unachievable.

50. The Reserve balance is projected to be £72,087.06 as at 31st March 2021 after accounting for both the budgeted drawdown and projected deficit position for 2020/21. Initially, £25,000 was due to be utilised in 2021/22 but the growing funding gap means that this is no longer feasible and it is proposed that a drawdown of £40,000 be used in 2021/22 to support increased Local Authority contributions and recognised savings.

Local Authority Contributions

51. Table 4 below indicates the effect the budget proposals will have upon the contributions with the current year shown for comparative purposes.

Table 4: Local Authority Contributions 2021/22

		2020/21	2021/22	Change
Authority	%	£	£	£
Bridgend	14	91,560	106,210	14,650
Caerphilly	11	71,940	83,450	11,510
Cardiff	32	209,280	242,765	33,485
Merthyr Tydfil	6	39,240	45,518	6,278
Rhondda Cynon Taf	25	163,500	189,660	26,160
Vale of Glamorgan	12	78,480	91,037	12,557
Total	100	654,000	758,640	104,640

52. A 16% increase has been proposed in order to address the increasing budget gap and to ensure that Reserves are not depleted in full. Savings have been identified where possible but the continual increase in NNDR and maintenance costs as well as reduced income have made balancing the budget with current contributions unachievable.
53. Contributions for 2021/22 will be invoiced in two equal instalments, as per the current arrangement (September and February). Any overspends will be managed through additional use of 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 in-year contributions or further savings in order to maintain a realistic and manageable budget to maintain the level of service delivery.

Summary

54. For the current year, the net cost of the provision of the Glamorgan Archives Service is projected to be £706,298 against the approved budget of £654,000, representing an overall overspend of £52,297. This deficit will need to be funded from the General Reserve.
55. At the end of 2020/21, the reserve balance is projected to be less than £100,000 and there is significant risk to future income generation levels, both as a result

of the Covid-19 pandemic and the increasing levels of expenditure, most notably the NNDR costs. In order for the Archives to maintain a level of service and remain financially sustainable, an increase of 16% is proposed for Local Authority contributions in 2021/22. It is also proposed that £40,000 be drawn down from the General Reserve to supplement the increased contributions and fund the budget gap.

56. The proposed budget allows for increases in employee costs of 2.5% but uncertainty around future pay awards may mean that this is not required for 2021/22. Similarly, income targets have been decreased so as to be representative of the current circumstances and the decline in income from commercial activities and room hire. However, if the financial position in 2021/22 improves, either through greater income streams or less substantial expenditure increases, there could be consideration of an in year adjustment in favour of the local authorities whereby contributions are partially refunded. This would be dependent however on the overall financial position and future year sustainability of the service.

Financial Implications

57. As stated in the main body of the report, there is an overspend projected at year-end of £52,297.
58. The General Reserve as at 31st March 2020 stands at £174,385. The budget for 2020/21 determined that £50,000 would be used from reserves to balance the budget. Based on the month 7 position, the General Reserve balance will decrease to £72,087 without further mitigations.
59. The General Reserve balance will decrease further to £32,087 in 2021/22 after allowing for a budgeted drawdown of £40,000. Any additional spend required will need to be funded from a further drawdown or through additional in-year contributions.

Legal Implications

60. The Committee approved a draft budget, which was submitted to each of the parties for approval. Each of the parties confirmed that their contribution was approved under Section 5(a)(ii) of the agreement dated the 11th of April 2006; the Committee shall only have the power to spend within the agreed budget within any given year.

RECOMMENDATION

61. It is recommended that Members:
 - a) Note the projected full year outturn position for 2020/21 as presented in paragraphs 5 to 28 of this report.

- b) Recommend the draft budget proposals for 2021/22 be agreed, as presented in paragraphs 29 to 53 of this report.
- c) Note that there may be a need for further in-year contributions for larger items of expenditure that are not budgeted for in order to maintain a balanced budget and preserve the balance in the general reserve.

Christopher Lee
Treasurer to the Glamorgan Archives Joint Committee
11 December 2020

Appendices

Appendix 1 - Month 7 Monitoring Position 2020/21
Appendix 2 - Proposed Budget 2021/22