

**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**

19th November 2021

2021/22 MONTH 6 MONITORING REPORT & 2022/23 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 30th September 2021 (Month 6), against the approved 2021/22 Budget and projections for the full year outturn position.

Background

2. Members approved the 2021/22 budget in January 2021.
3. The budget is funded from local authority revenue contributions, apportioned on the relative populations.
4. The current General Reserve balance is £118,202.

Table 1: Projected Outturn 2021/22 (at Month 6)

	Budget	Actual to date	Projection	Variance
	£	£	£	£
<u>Expenditure</u>				
Employee Related	517,356	249,655	520,094	2,738
Premises Related	294,516	232,046	288,708	(5,807)
Transport Related	240	0	240	0
Supplies & Services	29,279	9,597	39,631	10,352
Support Services	36,600	835	36,655	55
GROSS EXPENDITURE	877,990	492,132	885,328	7,338
<u>Income</u>				
Income	(79,350)	(5,206)	(105,994)	(26,644)
Contribution from Reserves	(40,000)	0	(20,695)	19,305
NET EXPENDITURE	758,640	486,926	758,640	0

Glamorgan Archives: Balanced Budget Position

The position at month 6 indicates projected gross expenditure of £885,328 for the year. Whilst this is £7,338 more than forecast, this has been more than offset by higher than anticipated income. This position has allowed a balanced position to be reported by drawing down a lower than anticipated amount from reserves.

Employee Budget: (£517,356 budget, £2,738 overspent)

5. The employee budget is based upon 14 FTE staff and 1 staff member funded through contributions from the Department for Work and Pensions (DWP). The 2021/22 pay award has been drafted at 1.75% but is still in consultation at month 6 with the relevant trade unions.
6. The table below provides detail on how much employee expenditure is funded by contributions from DWP:

	Budget	Actual	Projected	Variance
	£	£	£	£
<u>Employees</u>				
Internally Funded	507,353	249,655	510,492	3,139
DWP Contributions	10,003	0	9,602	(401)
Employees Total	517,356	249,655	520,094	2,738

7. To date, 3 staff have received first aid training (£635) and a further 5 members of staff will be refreshed in their manual handling training this financial year (£475). Additionally, grant funding was secured for 3 staff members to attend an Archives and Records Association (ARA) virtual conference (£340) in September and will be received shortly. Overall, training expenses are expected to be overspent (£1,000) based on the current activity.

Premises Related Budget: (£294,516 budget, £5,807 underspend)

8. Projections include an overspend on water (£1,000) although bills are received on a biannual basis and therefore a confirmed figure will not be available until the end of the year – estimates are based on the actual bills to date (£1,365).
9. Additionally, the National Non-Domestic Rates (NNDR) charge for the year was frozen at the 2020/21 rate (£188,588), allowing for a saving (£5,658) towards this budget line.

Transport Budget: (£240 budget, on target)

10. Due to the Covid-19 pandemic and associated disruption to working practice, it is projected that there will be less need for travel throughout the year. Whilst the building has re-opened, the benefits of virtual meetings suggests that less travel will be required.

Supplies & Services Budget: (£29,279 budget, £10,352 overspend)

11. There is a projected overspend on IT Consumables/ Hardware (£1,283) due to the purchase of a high-spec PC which has now been delivered. This was funded by Welsh Government Cultural Recovery Fund and is therefore offset by grant income received in year.
12. Additional Consultant work is being procured (£10,000) to produce a micro website for the online exhibition of the 1921 Census project, due for completion in the upcoming months. This is a national project lead by Glamorgan Archives and is funded by the Archives and Records Council Wales (ARCW) with no impact to the overall budget position.
13. An overspend is projected for software licences and maintenance (£250), consisting of the annual charge for the box maker software (£750) and the new archive catalogue software – Epexio by Metadatis (£4,500). No further costs are expected at this stage.
14. Internet charges are projected to be overspent (£687), at month 6 the Archives had been billed only for the first quarter and therefore the remainder of the year has been factored in.
15. Budget savings are projected in areas such as Conservation (£1,000), Catering Sundries (£970) and Central Telephone Exchanges (£1,593), though the activity of Conservation and Catering are inherently linked with income generation so there is no impact to the net budget.

Support Services Budget: (£36,600 budget, £55 overspend)

16. Most support service charges had not yet been posted at month 6, however there has been a £525 charge to date for Cardiff Council's Internal Audit fee for the 2020/21 financial accounts.
17. The Internal Audit is due to be completed in November and has a maximum fee of £3,500 which has been included in outturn projection for prudence.

Income Budget: (£79,350 budget, £26,664 overachieved)

18. The position at month 6 has not changed considerably from that reported at month 3. The ability to generate income was impacted by the building closure at the start of the year, though the Archives has seen activity increase over the summer. The updated income projections consider what's generated at month 6 and are realigned to an achievable target. Income will continue to be monitored and reviewed closely throughout the year and as more information becomes available.

19. Since reopening to the public, there has been interest in recommencing specialist room hire and the Archives is actively pursuing new opportunities. Furthermore, Carmarthenshire County Council will continue to store their records until at least the end of the calendar year (£13,000), an additional 3 months than previously reported, and Cardiff Museum have continued to hire storage space throughout the pandemic.
20. Various grant funding has been secured for defined purposes, such as the Welsh Government Cultural Recovery Fund to purchase IT equipment (£1,283), an ARCW grant to attend the September Archives and Records Association (ARA) virtual conference (£340), and a further grant from ARCW (£10,000) in relation to the 1921 census project.
21. The Archives have also received confirmation that a New Burdens grant (£11,513) will shortly be received for to accessions taken in 2020. This will act as a windfall grant as, due to the buildings closure throughout 2020/21, it was not anticipated that the funding would be obtained.
22. Though no further grants have been confirmed to date, several other funding applications will be submitted over the upcoming months.

Local Authority Contributions

23. Based on the projected outturn for 2021/22 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 were raised in October for the first half of the year, the remainder will be invoiced in March 2022.

Covid-19

24. The building has now reopened to the public as of 8th June 2021 which was a positive milestone in this financial year.
25. In all other areas the situation has remained unchanged and echoes what has been previously reported over the past year. Monitoring and horizon scanning will continue, any issues or changes identified will be assessed and reported at the earliest opportunity.

Month 6 Summary

26. The projected income and expenditure for 2021/22 is broadly in line with the budget, although there is currently a decreased reserve drawdown forecast compared to the amount budgeted (£40,000 budget, £20,695 projected).
27. Month 6 has provided an updated indication of the projected outturn though confirmation of the pay award has not yet been received. This has been reviewed in parallel with the development of the 2022/23 budget.

PROPOSED BUDGET FOR FINANCIAL YEAR 2022/23

28. The proposed budget for the 2022/23 financial year reflects a net budget totalling £826,918, which is a 9% increase on the net budget for 2021/22.
29. As per the Medium-Term Financial Plan presented in 2020/21, drawing down from the General Reserve Fund will be phased out with the final drawdown planned in 2022/23. This means the General Reserve will be used in the next financial year to supplement the budget in addition to an increase in Local Authority contributions.
30. The table below summarises the proposed budget for 2022/23. A more detailed analysis can be found in Appendix 1.

Table 2: 2022/23 Proposed Budget

	2021/2022 Budget £	2022/2023 Budget £	Increase / (Decrease) £
<u>Expenditure</u>			
Employees	517,356	539,267	21,911
Premises	294,516	296,522	2,006
Transport	240	240	0
Supplies & Services	29,279	39,844	10,566
Support Services	36,600	34,325	(2,275)
GROSS EXPENDITURE	877,990	910,198	32,208
Income	(79,350)	(73,280)	6,070
Contribution from Reserve	(40,000)	(10,000)	30,000
NET EXPENDITURE	758,640	826,918	68,278

31. 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: Increase of £21,911

32. A pay award has been factored in at 3.7% in line with CPI. This inflation as well as three members of staff moving up a pay scale contributes to the increase in budget.
33. In 2021/22 budget lines were 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. These budgets remain unchanged for the next financial year.

Premises Budget: Increase of £2,006

34. 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 needed, as was the case with the fire suppression cylinders in 2020/21.
35. Utility costs such as electricity and gas have increased in line with the 2021/22 projected outturn, allowing for an inflationary increase.
36. National Non-Domestic Rates were frozen between 2020/21 and 2021/22, however an anticipated increase of 2% is forecast for 2022/23 based on the UK Governments Budget announcement. This has reduced the budget between 2021/22 and 2022/23 where it was previously thought NNDR would increase above CPI and RPI.
37. Inflationary increases of 2% have been added where possible to 21/22 budget for expenditure items involving contracts such as grounds maintenance, fire management, pest control and office cleaning.

Transport Budget: No Change

38. The transport budget has remained the same between 2021/22 and 2022/23. This budget saw a reduction in 21/22 to reflect the changed approach to working, where travel for work greatly decreased due of the pandemic and digital meetings became more popular. The approach to work has remained the same since and no budget adjustment is required.

Supplies & Services Budget: Increase of £10,566

39. This increase is largely due to the need for additional maintenance work forecast for the year in relation to preservation (£10,000).
40. The budget for other items, such as subscriptions has remained unchanged 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: Decrease of £2,275

41. Most support services have increased by 3.7% in line with the employee on-cost uplifts, factoring in the CPI forecast within the UK Governments Budget.
42. An Internal Audit is not scheduled for 2022/23, therefore this budget has reduced.

Income Budget: Decrease of £6,070

43. The income target of £73,280 shows a net decrease of £6,070 from the 2021/22 budget, for which there are a number of reasons, most notably reduced income from room hires and sundry income.
44. 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. Looking ahead to 2022/23, there is uncertainty as to whether these bookings will resume and therefore the budget has decreased in line with this.
45. 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.
46. The Sundry Income line previously housed 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 2021/22, it is anticipated that grant funding will not be received in 2022/23.
47. 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. This item was previously budgeted within Sundry Income but has been moved to Government Grant (DWP) for future budgets and contributes to the phasing out of this budget line.

General Reserve: Drawdown of £10,000

48. 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 impossible.
49. The Reserve balance is projected to be £97,507 as at 31st March 2022 after funding the projected deficit position at year end. It is proposed that a drawdown of £10,000 be used in 2022/23 to support increased Local Authority contributions and recognised savings, leaving a prudent balance of £87,507 within the reserves.

Local Authority Contributions

50. Table 3 below indicates the effect the budget proposals will have upon the contributions with the current year shown for comparative purposes.

Table 3: Local Authority Contributions 2022/23

Authority	%	2021/22	2022/23	Change
		£	£	£
Bridgend	14	106,210	115,769	9,559
Caerphilly	11	83,450	90,961	7,511
Cardiff	32	242,765	264,614	21,849
Merthyr Tydfil	6	45,518	49,615	4,097
Rhondda Cynon Taff	25	189,660	206,729	17,069
Vale of Glamorgan	12	91,037	99,230	8,193
Total	100	758,640	826,918	68,278

51. A 9% 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 impossible.
52. Contributions for 2022/23 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

53. At the end of 2021/22, 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 9% is proposed for Local Authority contributions in 2022/23. It is also proposed that £10,000 be drawn down from the General Reserve to supplement the increased contributions and fund the budget gap.
54. The proposed budget allows for increases in employee costs of 3.7% but uncertainty around future pay awards may mean that this is not required for 2022/23. Similarly, income targets have been decreased to be representative of the current circumstances and the decline in income from commercial activities and room hire. However, if the financial position in 2022/23 improves, either through greater income streams or less substantial expenditure increases, there could be 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

55. Current trends project a balanced position at year end accompanied with a reduced drawdown compared to the 2021/22 budget.
56. The General Reserve as at 31st March 2021 stands at £118,202. The budget for 2021/22 determined that £40,000 would be used from reserves to balance the budget. Based on the Month 6 position, there may only be a need to draw down £20,695, therefore reducing the General Reserve balance to £97,507 if the current projection is achieved.
57. The General Reserve balance will decrease further to £87,507 in 2022/23 after allowing for a budgeted drawdown of £10,000. Any additional spend required will need to be funded from a further drawdown or through additional in-year contributions.

Legal Implications

58. The Committee shall approve a draft budget for the next financial year and shall submit it to each of the parties for approval no later than the last day of November 2021. Each of the parties shall inform the committee not later than the 12th of March 2022 that its contribution to the said budget is approved, or otherwise. The Committee shall only have the power to spend within the agreed budget within any given year.

RECOMMENDATION

59. It is recommended that Members:
 - a Note the projected full year outturn position for 2021/22 as detailed in this report.
 - b Note the budget amendment as detailed in the report.
 - c Agree the draft budget proposals for 2022/23, as presented in paragraphs 28 to 54 of this report.
 - d Acknowledge that there may be a need for further in-year contributions for larger items of expenditure that are not budgeted for as a result of maintaining a prudent budget.

Christopher Lee
Treasurer to the Glamorgan Archives Joint Committee
19 November 2021

Appendices

Appendix 1 - Month 6 Monitoring Position 2021/22

Appendix 2 – Proposed Budget 2022/23