

**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
11 December 2015**

REPORT OF:

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

	AGENDA ITEM NO.
2015-2016 BUDGET MONITORING & 2016-2017 BUDGET PROPOSALS	

PURPOSE OF REPORT

1. This report provides members with the projected full year revenue outturn for the 2015/16 financial year. It also details the proposed revenue budget for 2016/17.

PROJECTED OUTTURN POSITION FOR FINANCIAL YEAR 2015/16

2. Appendix 1 details the position for the 2015/16 financial year, as forecasted at 31st October 2015. This is summarised in the table below.

Table 1: Projected Outturn 2015/16 (at 31st October 2015)

	Budget £	Actual to date £	Projection £	Variance £
Expenditure				
Employees	439,720	262,332	449,213	9,493
Premises	303,200	229,423	300,729	-2,471
Transport	2,550	-375	2,421	-129
Supplies & Services	49,520	37,336	58,044	8,524
Third party Payments	0	0	0	0
Support Services	54,700	349	44,904	-9,796
GROSS EXPENDITURE	849,690	529,065	855,312	5,622
Income	-68,000	-55,842	-82,003	-14,003
Contribution from Reserves	-100,000	0	-100,000	0
NET EXPENDITURE	681,690	473,223	673,309	-8,381

3. The net expenditure for the full year is projected to be £673,309, which represents an underspend of £8,381 against the approved budget of £681,690. This projected underspend represents an increase of £5,093 on the reported projected underspend of £3,288 as at 31st August 2015. The main reasons for the variances are given below.

Employees + £9,493

4. A net overspend on employees is forecast mainly as a result of the availability of one-off grant income to fund additional staffing costs.

Premises - £2,471

5. It is anticipated that there will be a net underspend on premise costs. Utilities have been projected using the previous year's usage plus a nominal rate for inflation. Gas and electricity are projected to underspend by £13,000 and £7,000 respectively and water is predicted at a £3,000 overspend. The budget for one-off repair costs is forecast as overspent due to the need to spend on dilapidation surveys, hardware alterations and works on air conditioning units.

Supplies & Services + £8,524

6. Overall an overspend is projected on supplies and services, including additional costs on public liability insurance, where there is likely to be an overspend by £1,330 based on previous year's costs, and translation costs (£3,000). In addition, catering expenses are projected to overspend by £1,300, with vending machine and conservation costs each projected to be £3,000 overspent. These cost increases are offset by additional income.
7. Offsetting these overspends is a projected underspend of £3,800 on external audit fees, resulting from a change in the year-end reporting format, and a £1,410 underspend in connection with BT 'red care' lines.

Support Services - £9,796

8. The projected outturn for the majority of central support costs are predicted to be in line with the actual charges for 2014/15. The major variances include internal audit fees, which are anticipated to be £1,850 higher than budgeted, based on previous fees. In addition, ICT and Service Accountancy are expecting underspends of £5,000 and £3,300 based on use of service calculations. Vehicle and fuel recharges from CTS are no longer applicable, resulting in an underspend of approximately £3,600.

Income - £14,003

9. The projected income is £14,003 more than budgeted. Additional income is expected from a number of sources, including the hire of specialist rooms (£10,289), conservation (£3,000) and sale of food (£3,000). The significant increase in room hire income is largely the result of a series of block bookings received. Furthermore, one-off grant income of £3,500 is expected, however this is offset by a shortfall in income relating to royalties (£2,000), interest (£1,000) and publications (£1,392).

Local Authority Contributions

10. An underspend of £8,381 is projected in 2015/16. From 2012/13, the policy has been to reduce local authority contributions in line with each authority's respective share of any underspend achieved. However, in light of the need to identify savings against the net budget going forward, it means that the use of the general reserve will need to be phased out over a longer period than planned and, therefore, the balance will diminish at a greater rate than originally projected. As a result, it is proposed that any underspend achieved by the Service during 2015/16 is retained by the Service and used to supplement the general reserve balance. Therefore, local authority contributions for 2015/16 are proposed to be in line with the budgeted amounts. However, any overspend that results will be funded from the general reserve and not passed back to the contributing authorities.

PROPOSED BUDGET FOR FINANCIAL YEAR 2016/17

11. The 2016/17 budget is being proposed at a time of severe reductions to local authority budgets. With this in mind, it was requested, by the lead authority, that Glamorgan Archives considered a 3% net reduction in budget for 2016/17. This equates to approximately £20,500. However, Glamorgan Archives, since 2012/13, has made a budgeted £100,000 contribution, per year, from its general reserve to support expenditure. The reserve is now at such a level that the policy to use £100,000 from the reserve each year is no longer sustainable. Therefore, it is proposed to reduce the budgeted contribution by £25,000 for each of the next four years, until there is no longer any reliance upon the reserve. Therefore, the net savings required total approximately £45,500.
12. Table 2, below, summarises the proposed budget for 2016/17. A more detailed analysis can be found in Appendix 2.

Table 2: 2016/17 Proposed Budget

	2015/16 Budget £	2016/17 Budget £	Increase / Decrease £
Expenditure			
Employees	439,720	450,440	10,720
Premises	303,200	288,200	-15,000
Transport	2,550	2,550	0
Supplies & Services	49,520	39,110	-10,410
Support Services	54,700	42,700	-12,000
GROSS EXPENDITURE	849,690	823,000	-26,690
Income	-68,000	-87,000	-19,000
Contribution from Reserve	-100,000	-75,000	25,000
NET EXPENDITURE	681,690	661,000	-20,690

13. The Glamorgan Archivist, in preparing the options above, has considered the budgetary pressures on the Service and has sought to meet these pressures by proposing savings and income growth that could be achieved. Budget realignments, totalling a net nil, have also been reflected below.

Employees + £10,720

14. Within the proposed budget there is a total increase in spend of £10,720, which reflects the estimated increase due to potential pay inflation of 1%, annual increments and the statutory change in the cost of National Insurance (NI) employer contributions. The change in the cost of NI employer contributions is the result of the cessation of the differentiation between employees in the pension scheme and those that aren't. Therefore, employer contributions have now been increased to match the level currently paid for employees not in the pension scheme.

15. It has not been possible to identify any savings in relation to employees, especially in light of the significant reductions to staffing budgets as part of the 2015/16 budget proposals.

Premises - £15,000

16. The net reduction in the premise budget reflects savings identified in relation to utilities. Projections have shown that the current costs are significantly less than budget allocations and, therefore, a saving of £10,000 on electricity usage and a further £5,000 on gas has been identified.

Transport - No Change

17. The transport budget has been realigned through the removal of the vehicle insurance budget of £450, resulting from the return of the lease vehicle earlier this financial year. This budget has been realigned to staff travel expenses, to reflect increased costs experienced against that particular budget heading.

Supplies & Services - £10,410

18. The planned reduction in the supplies and services budget largely consists of lower usage of office consumables and general office costs. This includes telephones (£1,000), printing and stationery (£1,000) and ICT consumables (£410) along with a £500 saving target for both photocopying and advertising.

19. Wales Audit Office fees have also dropped significantly following the adoption of a simpler format for the year end reports and an associated reduction in the level of work required as part of the annual external audit. This has reduced the fees by £3,000.

20. The costs associated with conservation work have also been identified as a potential saving, with a planned reduction of £7,000 in 2016/17. Any additional costs will be offset by additional income during 2016/17.

21. These budget proposals also include the insertion of a £3,000 budget to reflect costs incurred in connection with vending machines.

Support Services - £12,000

22. The majority of the net reduction in the support services budget reflects budget savings identified in relation to Financial Services. Savings include £3,400 for Service Accountancy, £600 relating to Technical Accountancy and £500 relating to Project Accountancy. In addition, the cost of ICT services are expected to fall from £17,000 to £12,000. These savings have been based on historical reductions in expenditure. Furthermore, a £4,000 saving has been identified following the end of the lease agreement for the Service's hired vehicle.

23. These savings are partially offset by an additional, estimated, £1,500 charge in relation to internal audit, which is required as a result of the introduction of the new year-end reporting format.

Income + £6,000

24. The net reduction in the income budget comprises an additional income target amounting to £19,000, offset by the £25,000 reduction in the use of the earmarked reserve. The increased income target includes a £5,000 predicted increase in conservation income, a further £2,000 from royalties, and an additional £12,000 in hire of specialist rooms, including specialist storage.

Local Authority Contributions

25. 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 2016/17

Authority	%	2015/16 £	2016/17 £	Change £
Bridgend	14	95,437	92,540	-2,897
Caerphilly	11	74,986	72,710	-2,276
Cardiff	32	218,141	211,520	-6,621
Merthyr Tydfil	6	40,901	39,660	-1,241
Rhondda Cynon Taf	25	170,422	165,250	-5,172
Vale of Glamorgan	12	81,803	79,320	-2,483
Total	100	681,690	661,000	-20,690

26. It is proposed that the contributions for 2016/17 will be invoiced in two equal instalments, representing a change from the current arrangement, whereby any projected underspend is reflected in a reduction to the second instalment required. The first instalment will be invoiced for in July 2016 and the second instalment in February 2017. Any overspends will be managed through contributions from the general reserve, where possible. Any surpluses accrued will be retained within Glamorgan Archives as part of the mitigation of the risk involved in phasing out the reliance upon the general reserve over a four year period.

SUMMARY

27. For the current year, the net cost of the provision of the Glamorgan Archives Service is projected to be £673,309 representing an underspend of £8,381 against the approved budget of £681,690.

28. A 3% saving in 2016/17 has been requested by the lead authority, which equates to a saving of approximately £20,500. Further to this, there is a requirement to phase out the budgeted use of the general reserve, in light of the reducing level of balances held.

29. Net savings proposals totalling £45,690 have been identified, enabling both the reduced reliance upon reserve levels and the net reduction in local authority contributions requested by the lead authority.

FINANCIAL IMPLICATIONS

30. An underspend of £8,381 is projected for 2015/16 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. Should an overspend materialise then it will be necessary to draw upon the General Reserve, which currently stands at £306,460 and will be £206,460 after the agreed £100,000 drawdown this year.
31. Any overspend this year will not impact upon the level of Local Authority contributions as the committee had agreed to fund any overspend from the General Reserve. It is proposed that any underspend in 2015/16 is retained by the Service and not used to reduce local authority contributions.
32. The proposed budget for 2016/17 represents a net 3% reduction in contributions required from local authorities, as per the request from the lead authority. In addition, sufficient savings have been identified to enable to a £25,000 reduction in the budgeted use of the general reserve, as part of a proposed four year strategy to phase out the reliance upon the reserve, in light of the current budgeted year end balance of £206,460.
33. It is also proposed that any surpluses generated from 2016/17 onwards are retained by Glamorgan Archives as part of a strategy to mitigate the risk presented by phasing out the use of the reserve over a four year period. Assuming no deficits or surpluses are experienced over the next three years, then, assuming a £25,000 reduction in the use of the reserve each year, the projected balance at the end of 2018/19 is £56,460. Therefore, any additional surpluses to supplement this balance would reduce the risk presented by any exceptional costs being incurred.
34. As a result of net savings of £20,690 being proposed, it means that each contributing local authority will receive a reduction to their annual contribution in line with the figures presented in Table 4.

LEGAL IMPLICATIONS

35. 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.
36. The Committee is required under the terms of the Agreement to approve draft budget proposals for 2016/17 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

37. It is recommended to members that they:

- Note the projected full year position for the 2015/16 financial year as presented in paragraphs 2 to 10 of this report.
- Recommend that the proposal regarding the retention of any underspend in 2015/2016 is accepted, as outlined in paragraph 10 of this report.
- Recommend the draft budget proposals for 2016/17 are accepted, as presented in paragraphs 11 to 29 of this report.

Christine Salter
Treasurer to the Glamorgan Archives Joint Committee