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

PROSIECT GWYRDD JOINT COMMITTEE **REF: 02-21**
DATE: 02/12/2021

2021/22 MONTH 7 MONITORING POSITION AND PROJECTED OUTTURN: 2022/23 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 2021/22 financial year.

2. For Joint Committee to consider the proposed 2022/23 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 2022/23.

3. To provide the partner Councils with early indicative estimates for the period from 2023/24 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 2021/22 Budget at its meeting on the 1st December 2020, which recommended the 2021/22 Revenue budget to the partner councils for consideration as part of their respective annual budget setting processes.

Partnership of Councils
Supporting partner

2021/22 MONITORING

6. Table 1 below provides an update on the Joint Committee's Month 7 financial position for the 2021/22 financial year. In summary the current position shows a projected gross expenditure outturn of £190,059 which represents a decrease of £58,625 against the original 2021/22 gross expenditure budget of £248,684.

TABLE 1: 2021/22 Summary Monitoring Position

	2021/22 Budget £	2021/22 Projected Outturn £	2021/22 Variance £
Project Team	182,607	170,525	(12,082)
Supplies & Services	18,450	18,393	(57)
Committee & Support Services	10,200	5,645	(4,555)
Organics Contribution	(40,103)	(38,005)	2,098
Expenditure funded by Partner Contributions	**171,154**	**156,559**	**(14,595)**
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	**248,684**	**190,059**	**(58,625)**
Partner Contributions	**(185,000)**	**(135,000)**	**50,000**
Net Expenditure	**63,684**	**55,059**	**(8,625)**
Appropriations (from) / to Joint Committee Reserve A/c	**(63,684)**	**(55,059)**	**8,625**
Projected Balance of the Joint Committee Reserve A/c as at 31.03.2022		**256,426**	

7. The Project Team is currently reporting an underspend of £12,082 (this assumes a 2% pay award being agreed for 21/22). This variance is a consequence of the Budget being based on top of the pay scale costings and full employee on-costs.

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 2021/22. 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 2022 is £256,426 and this resource will be available to continue the principle of funding non-recurring Prosiect Gwyrdd expenditure in future financial years.

2022/23 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 2022/23 financial year assuming a full drawdown of the budgeted funding is £187,766.

12. Table 2 below provides a summary of the proposed Budget for 2022/23 as well as a comparison with the current 2021/22 budget. A pay award of 2% from 1st April 2022 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 2022/23

	2021/22 Original Budget £	2022-23 Proposed Budget £
Expenditure		
Contract Management Team	182,607	148,320
Supplies & Services	18,450	18,820
Support Services	10,200	48,350
Cardiff & Vale Organics Contribution	(40,429)	(40,900)
Expenditure – funded by Partner contributions	**170,828**	**174,580**
External Advisors	57,530	58,680
Contingency	20,000	20,400
Expenditure – funded by Reserve Account	**77,530**	**79,080**
Gross Expenditure	**248,358**	**253,660**
Partner Contributions	**(185,000)**	**(185,000)**
Appropriations from Joint Committee Reserve A/c	**(63,358)**	**(68,660)**
Projected Balance of the Joint Committee Reserve A/c as at 31.03.2023		**187,766**

13. Historically the lead finance officer for the project has been included in the budget for the Contract Management Team, however now that the contract is established this role is more of a support function and as such the budget has been transferred between headings for the 22/23 budget proposal along with the Procurement and Legal support costs. The other budgets heads have been increased by 2% with the proposed partner contributions unchanged at £185,000, which is £37,000 per partner.

14. The projected drawdown from the Reserve account is £68,660 to leave a projected balance on the account of £187,766 as at 31st March 2023.

POST 2022/23 INDICATIVE BUDGET PROJECTIONS

15. Table 3 below provides a summary of indicative Joint Committee budgets and partner contributions for the financial years 2023/24 to 2025/26 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 2023/24 to 2025/26 Indicative Resource Requirements

Financial Year	Indicative Gross Expenditure Budget	Contributions per Partner	Reserve A/c funding	Projected Reserve A/c balance
	£	£	£	
2023/24	258,000	38,600	66,000	122,000
2024/25	264,000	39,400	67,000	55,000
2025/26	269,000	42,800	55,000	0

FINANCIAL IMPLICATIONS

17. This report provides Joint Committee with an update on the 2021/22 projected out-turn position at Month 7 with a gross expenditure underspend of £58,625 being projected. The projected balance of the Reserve Account at the end of 2021/22 is £256,426 which will be available to assist in funding non-recurring Prosiect Gwyrdd expenditure in future financial years.

18. The budget requirement of £253,660 for 2022/23 will be funded from partner contributions of £185,000 with the remaining funding of £68,660 being funded from a drawdown from the Reserve account. The closing projected Reserve Account balance of £187,766 assumes full drawdown in line with budget requirements for 2022/23 which will be monitored and updated accordingly with its implications for future years funding.

19. Indicative budgets have also been prepared for financial years 2023/24 to 2025/26 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. 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 2021/22 projected outturn forecast including the projected year-end balance for the Joint Committee Reserve Account.

b. That the Joint Committee recommends the 2022/23 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 2022/23.

c. The Joint Committee asks the Partnering Councils to note the indicative budgets, and associated partner contributions, outlined for the financial years 2023/24 to 2025/26.

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

2nd December 2021