

17th March 2023

WLGA BUDGET 2023-24 AND MEDIUM-TERM FINANCIAL PLAN

Purpose

- 1 To agree a budget for the WLGA and to endorse the top slice arrangements for 2023-24. Some of the assumptions were previously agreed at the Management Sub-Committee on the 9th December.

Background

Budget Setting 2023-24

- 2 A summary of the WLGA budget is set out below which shows a small surplus this year and next and shortfalls budgeted in subsequent years. The detailed budget and medium-term financial plan are set out in Annex I.

Figure 1: Summary of WLGA Budget for 2023-24 and Medium-Term Financial Plan to 2026-27

		MTFP	MTFP	MTFP
	Draft Budget			
	2023-24	2024-25	2025-26	2026-27
	£	£	£	£
Employee costs	2,891,834	3,006,228	3,125,197	3,248,925
Premises costs	383,389	391,537	400,092	409,074
Member Services	60,000	60,000	60,000	60,000
Supplies and Services	93,776	95,640	97,597	99,652
Internal Recharges	-575,410	-575,410	-575,410	-575,410
ICT	132,875	132,875	132,875	132,875
Other Costs	381,900	311,900	311,900	311,900
SLA	8,000	8,000	8,000	6,000
TOTAL EXPENDITURE	3,376,365	3,430,769	3,560,250	3,693,016
INCOME	3,459,827	3,459,827	3,459,827	3,459,827
Budget Surplus / Shortfall (-)	83,462	29,057	-100,424	-233,189
Transfer to / from (-) Reserves	0	0	0	0
Budget Surplus / Shortfall (-) after adjustments to Reserves	83,462	29,057	-100,424	-233,189

3 As the outlook for our members next year looks challenging, it is important the Association does not add to the pressures. The first draft of the budget was presented to the WLGA Executive on the 16 December and the assumptions used in the budget are:

- Subscriptions held flat
- Retained top slice held flat
- Other top slices based on the annually agreed principles usually determined following the settlement (see below)
- Use reserves more proactively to fund short-term pressures and fixed term contracts where prudent to do so, for example, providing a contribution, along similar lines to Policing in Wales (and hopefully Welsh Government) to the Safer Communities Network in lieu of individual council membership fees request for 2023-24
- Re-emphasise the voluntary exit and early retirement scheme (there is currently one application for voluntary redundancy).
- Pay assumption £1,925 all spinal points to point 42, 3.9% spinal points 43 and above [at the time of preparing this report this is the offer from the Employers]
- Application of Full Recharges policy to apply to grant-funded and top slice-funded teams

Treasury Management

- 4 The Association currently holds £2.5m with the CCLA Public Sector Deposit Fund which was the maximum amount originally agreed by the Audit Committee that can be held without compromising the Association's cashflow position. Last year it was agreed at the Audit Committee that £4m can be held whilst keeping a comfortable cashflow position in our HSBC day to day accounts. Interest rates have increased significantly with CCLA over the last 6 months, and we would like to take advantage of this situation and therefore we would wish to increase our investment to the £4m as agreed previously by the Audit Committee.
- 5 Through the WLGA Audit Committee, it has been agreed to hold a target level of reserves of between 80% and 100% of the net income¹ of the Association. At the beginning of the next financial year, an estimated underspend in the current financial year will take the level of reserves to around £4.507m. This is 108% higher than the estimated net income of the Association. Strategies will be put in place to reduce this to within the tolerance range set by the Audit Committee.

¹ This is estimated at £4.184m for 2023-24 and includes the total subscription and retained the top slice (which now includes the funding for the Office of the Chief Digital Officer).

The Triennial Valuation of the pension fund

- 6 As with all funds in the Local Government Pension Scheme (LGPS), the Merseyside Pension Scheme (MPS) has undergone a triennial valuation. The overall position of the Fund from an asset perspective is improving, but the uncertain outlook (i.e. stagflation and the actuaries adjusting discount rates) means employer contributions will increase slightly to 18.5% for most employers but not for the WLGA as an admitted body.
- 7 The WLGA's balance sheet is healthier than the Fund's: assets have been valued at £28.8m and the liabilities at £25.6m resulting in a £3.2m surplus. The employer contribution will reduce from 17.6% to 17.2%. The Association's specific circumstances are also improved by the removal of the McLeod Allowance (a form of insurance which we put in at the last valuation) and a change in the age profile of staff (we're expanding but getting younger) which offsets the actuarial assumptions around discount rates applied to future liabilities.
- 8 There is an 'additional' contributions surplus (£183.4k rising to £200.7k over the period) which we will leave it in anticipation of a worsening position at the next valuation. This is the prudent thing to do.

Approach to top slicing the Revenue Support Grant

- 9 Welsh local government is due to provide top slice funding in 2023-24 to the Specified Bodies detailed below, to support their activities in the next financial year from the Revenue Support Grant. At Annex I is a schedule of Specified Bodies funding in 2022-23 and the principles to be applied to uplifting funding in 2023-24. The figures for 2023-24 presuppose that the Welsh Government stick with the pre-announced settlement uplift of 4%. The Specified Bodies are:

- The National Eisteddfod
- Royal Welsh Agricultural Show
- Urdd Eisteddfod
- Foster Wales
- National Adoption Service
- The WLGA

National Cultural Events

- 10 The Chief Executive has been in discussions with these organisations and has ascertained the need for continued funding in the next financial year. The increase for the funding for 2023-24 will be set at 4% which equivalent to uplift before the Autumn Statement and pay uplift for those on the modal SCP.

Social Services

- 11 The National Adoption Service (NAS) is a collaboration for the provision of adoption services across Wales and promotes and supports best practice in adoption on an all-Wales basis. The work undertaken as part of the National Fostering Framework (NFF) led to the launch of Foster Wales (FW) in 2021.
- 12 Foster Wales brings together all local authority fostering services under a single brand for recruitment and retention purposes as well as focusing on common areas for service improvement. This approach aims to improve the ability of local authority fostering services to recruit and retain foster carers, supporting the ambition of increasing local placement accessibility, sufficiency, and choice while reducing dependence on more costly options. The funding helps to ensure national and local coordination of a high-profile marketing and recruitment campaign to be launched shortly, funded by Welsh Government, as well as supporting other workstreams such as the development of a National Performance Management framework and continued work in respect of harmonisation of fees and allowances.
- 13 It is proposed that the top slice funding for both bodies be increased for wage inflation as in para 10. In addition, Foster Wales requires an additional £53.5k for corporate support recharges for the host authority. These costs have been underestimated in the past and have been recalculated and will be reflected in a formal hosting agreement is being developed with Cardiff Council. These unavoidable costs would take the top slice increase for these bodies to around 15% but overall the top slice would come in at 3.4%.
- 14 Both organisations have a business case for additional funding for budget growth that includes:
 - NAS - National marketing contract and activity £174k
 - FW - cost of shared posts with NAS £98k
 - FW - Ongoing infrastructure costs of new initiatives £35k
- 15 Funding has recently been secured from Welsh Government for NAS to enable them to take forward their marketing campaign and a decision about further funding for Foster Wales is awaited. If funding had not been secured from Welsh Government, it is likely that an increase in the top slice to fund ongoing work commitments would have been requested.
- 16 Members may wish to consider in the future whether the use of the top slice should be used for funding budget growth or just essential (unavoidable) cost pressures. The latter principle is applied for other top slice organisations.
- 17 It is proposed that the funding of £60k for the Reflect project is discontinued. This funding in the past has been used to support the roll out of Reflect services locally and, based on the view of the lead officer, it is felt that this has largely been achieved.

WLGA Retained Top Slice

- 18 As referred to in the section on budget principles, the WLGA retained top slice is to be held flat in 2023-24. This funding is used to support Data Cymru, the Food in Schools team, Employment & Workforce advice from the LGA, funding for Directors of Public

Protection, the Office of the Chief Digital Officer and supports various initiatives within the WLGA.

Recommendations

19 Members are asked to:

- 19.1 Agree the 2023-24 budget for approval at the WLGA Council meeting on 31st March;**
- 19.2 Note the approach to the top slices including additional funding for the National Adoption Service and Foster Wales; and**
- 19.3 Agree to the increase in the investment with CCLA to from £2.5m to £4m**

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Detailed Budget for 2023-23 and Medium-Term Financial Plan up to 2026-27

	Draft Budget 2023-24	MTFP 2024-25	MTFP 2025-26	MTFP 2026-27
	£	£	£	£
Expenditure				
Salaries including on-costs	2,859,834	2,974,228	3,093,197	3,216,925
Recruitment & Advertising	5,000	5,000	5,000	5,000
Travel & Subsistence	20,000	20,000	20,000	20,000
less Provision for vacancies	-50,000	-50,000	-50,000	-50,000
Staff training	25,000	25,000	25,000	25,000
Early retirements	20,000	20,000	20,000	20,000
Staff Welfare	12,000	12,000	12,000	12,000
Employee related costs	2,891,834	3,006,228	3,125,197	3,248,925
Rent	141,375	141,375	141,375	141,375
Rates	60,107	63,113	66,268	69,582
Service charge	102,844	107,986	113,386	119,055
Lift maintenance	0	0	0	0
Repairs	0	0	0	0
Office cleaning	0	0	0	0
Utilities	0	0	0	0
Security & fire	0	0	0	0
Furniture & Equipment	5,000	5,000	5,000	5,000
Building maintenance fund	0	0	0	0
Capitalisaion Costs	50,000	50,000	50,000	50,000
WCVA Charge	24,063	24,063	24,063	24,063
Premises related costs	383,389	391,537	400,092	409,074
Advisers expenses	0	0	0	0
Meetings & catering	10,000	10,000	10,000	10,000
Members' expenses	45,000	45,000	45,000	45,000
Committee translation	5,000	5,000	5,000	5,000
Member services	60,000	60,000	60,000	60,000
IT consumables	5,000	5,000	5,000	5,000
Telephones/mobiles	16,500	16,500	16,500	16,500
Postage	3,000	3,000	3,000	3,000
Printing	3,000	3,000	3,000	3,000
Stationery	3,000	3,000	3,000	3,000
Audit fees	14,000	14,000	14,000	14,000
Insurance	37,276	39,140	41,097	43,152
Books/publications	2,000	2,000	2,000	2,000
Subscriptions	10,000	10,000	10,000	10,000
Supplies & services	93,776	95,640	97,597	99,652
Communications	-32,316	-32,316	-32,316	-32,316
Administration & HR	-179,745	-179,745	-179,745	-179,745
Finance	-104,282	-104,282	-104,282	-104,282
ICT	-80,364	-80,364	-80,364	-80,364
Premises cost	-178,703	-178,703	-178,703	-178,703
WLGA support Digital Team	0	0	0	0
Internal charges	-575,410	-575,410	-575,410	-575,410

Detailed Budget for 2023-23 and Medium-Term Financial Plan up to 2026-27
(contd.)

ICT outsourcing	110,875	110,875	110,875	110,875
GDPR Compliance	22,000	22,000	22,000	22,000
ICT	132,875	132,875	132,875	132,875
Communication/events	45,000	45,000	45,000	45,000
Research	20,000	20,000	20,000	20,000
Translation	25,000	25,000	25,000	25,000
Payments to Data Cymru	100,400	100,400	100,400	100,400
Wales Fiscal Analysis	20,000	20,000	20,000	20,000
Safer Communities Project	100,000	30,000	30,000	30,000
Other expenditure	15,000	15,000	15,000	15,000
WLGA conference	30,000	30,000	30,000	30,000
WLGA website	1,500	1,500	1,500	1,500
Legal Costs	25,000	25,000	25,000	25,000
Other costs	381,900	311,900	311,900	311,900
Payroll charges	8,000	8,000	8,000	6,000
Service Level Agreements	8,000	8,000	8,000	6,000
Total expenditure	3,376,365	3,430,769	3,560,250	3,693,016
Subscriptions	2,224,071	2,224,071	2,224,071	2,224,071
WLGA conference	0	0	0	0
Sponsorship	0	0	0	0
Other income	32,000	32,000	32,000	32,000
ADEW support	30,000	30,000	30,000	30,000
Youth Policy officer support	10,000	10,000	10,000	10,000
SWT support	30,000	30,000	30,000	30,000
Top slice retained	1,059,668	1,059,668	1,059,668	1,059,668
Property income	74,088	74,088	74,088	74,088
Total Income	3,459,827	3,459,827	3,459,827	3,459,827
Budget Surplus / Shortfall (-) before adjustments to Reserves	83,462	29,057	-100,424	-233,189
Total Transfers To / From (-) Reserves	0	0	0	0
Budget Surplus / Shortfall (-) after adjustments to Reserves	83,462	29,057	-100,424	-233,189

RSG Top slices 2023-34

WELSH LOCAL GOVERNMENT PROVISIONAL SETTLEMENT 2023-24		Final Draft	Diff
National Cultural Events			
	National Eisteddfod	402,376	15,476
	Urdd Eisteddfod	160,264	6,164
	Royal Welsh Show	92,248	3,548
		654,888	25,188
National Social Services			
	National Adoption Service	538,200	20,700
	<i>Looked After Children</i>		
	Cardiff NFF	504,444	70,844
		1,042,644	91,544
WLGA Retained top slice (including Data Cymru and LGA)		2,060,800	0
	HMRC licencing (1 year funding only)		-95,589
	Chief digital officers	900,000	0
Total		4,658,332	21,143