

27th October 2023

WLGA BUDGET 2024-25 AND MEDIUM-TERM FINANCIAL PLAN

Purpose

- 1 To update members on the high-level budget assumptions underpinning the WLGA's 2024-25 Budget and the Medium-Term Financial Plan (MTFP) to 2028-29.

Background

- 2 The WLGA's Management Sub-Committee (or Executive Board) is required to set the Association's budget (statement of estimated expenditure) which should be endorsed by the WLGA Council and subscriptions set before the end of the financial year per the WLGA constitution (section 26.2):

The subscriptions of Member Councils for each year commencing 1st April shall be at rates to be determined from time to time by the Council. Subscriptions shall be payable on 1st April in each year.

The WLGA Draft Budget 2024-25 and Medium-Term Financial Plan (MTFP) to 2028-29

- 3 A summary of the budget and medium-term financial plan is set out in Figure 1 below. The figure below demonstrates the impact of a 0% increase in subscriptions.

Figure 1: High-level budget assumptions for 2024-2025 and MTFP

	MTFP	MTFP	MTFP	MTFP	MTFP
	2024-25	2025-26	2026-27	2027-28	2028-29
Employee costs	£ 3,169,995	£ 3,295,515	£ 3,426,055	£ 3,561,817	£ 3,703,010
Premises costs	380,589	386,616	399,978	406,384	413,121
Member Services	74,375	79,438	83,214	87,217	91,460
Supplies and Services	106,936	108,675	110,449	116,206	119,565
Internal Recharges	-571,811	-585,568	-610,593	-650,417	-704,591
ICT	133,975	134,899	136,100	137,362	138,686
Other Costs	470,367	365,533	371,971	377,561	365,354
SLA	9,000	9,360	9,734	9,929	10,128
TOTAL EXPENDITURE	£ 3,773,426	£ 3,794,467	£ 3,926,908	£ 4,046,059	£ 4,136,732
INCOME	£ 3,933,593	£ 3,773,323	£ 3,743,323	£ 3,743,323	£ 3,743,321
Budget Surplus / Shortfall (-)	£ 160,167	£ -21,144	£ -183,585	£ -302,736	£ -393,411

- 4 **Employee-related Expenditure** – the pay awards for 2023-24 and beyond have not yet been agreed so an assumption of £1,925 (the pay offer) has been used for the base of 2023-24 with subsequent pay awards assumed at 4% in the MTFP to 2028-29.
- 5 **Premises Expenditure** – We have made assumptions that whilst rent remains static initially, there will be a 5% increase in the 2026-27 financial year when the rent review takes place. Officers are commencing investigations to gain a more accurate picture. The assumption on rates shows a 5% per annum increase whilst the service charge and WCVA charge have been assumed to rise in line with the Bank of England's projections for CPI. The service charge was uplifted in the 2023-24 budget to reflect the higher energy prices and we have decided to remain on this uplifted level for the duration of the MTFP as we felt there was insufficient indication as to how energy prices would fare over the next 5 years.
- 6 **Member Services Expenditure** – Member allowances were increased for 2023-24 following the review undertaken and the agreement within that was for the allowances to increase in line with the Independent Renumeration Panel (IRP) recommendations. The draft IRP report suggests a rise of 6% so this is the figure we have incorporated for 2024-25 and thereafter we have had to base this on the same pay assumptions for the employee related costs which is 4%. We have also included an allowance of £1,500 for the first time to cover travel and subsistence of members when conducting WLGA business.
- 7 **Supplies and services expenditure** – There are minimal changes to this budget line, with just inflationary increases against ICT consumables, mobile phones, stationery, audit fees and insurance.
- 8 **Internal Recharges** - This figure in the budget reflects the contribution from grant-funded teams towards employing, managing and hosting people within the Association, along with organisational overheads. The aim is to ensure that all cost centres bear a fair share of the organisational overheads. There is obviously a risk element to these figures as it is dependent on all grant-funded teams being renewed.
- 9 **ICT Expenditure** – A review of our ICT arrangement is being jointly pursued with Data Cymru. Whilst expected savings would be minimal, we have flat-lined this budget line rather than show inflationary increases. The GDPR element we have increased at 4% in line with staff related costs.
- 10 **Other Costs** – We have included a one-off £85,000 contribution in 2024-25 for the Pathways to Planning project and an additional one-off £25,000 cost against phase 2 of the social work harmonisation of Terms and Conditions project. A £20,000 contribution to Wales Fiscal Analysis includes a £10,000 contribution from the Society of Welsh Treasurers, and overall supports their research into public finances in Wales. This is continued over the MTFP period.
- 11 **Service Level Agreement** – this reflects the current costs of the payroll function provided by Cardiff Council.
- 12 **Income** – The figure above shows members the results of a 0% increase in WLGA subscriptions for 2024-25 with a flat cash position assumed for future years in the MTFP. The income does, however, vary as we are projecting significantly higher interest rates than in previous years though they are expected to drop and plateau at around 4.25% after two years.

13 **Top Slice Income** – the WLGA retained Top Slice income for 2024-25 has been held flat at the 2023-24 level and for subsequent years.

14 **Surplus and Reserves** - The draft budget shows a surplus in 2024-25 which is to be transferred into reserves. Subsequent years show deficits, but these will be addressed through money saving initiatives - including voluntary exit and early retirement - over the coming years.

Recommendations

15 Members are asked to:

- 15.1 Agree the high-level budget assumptions underpinning the WLGA budget and Medium-Term Financial Plan; and
- 15.2 Support the proposal of no increase to WLGA subscriptions next year.

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