

31<sup>st</sup> March 2023

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## WLGA BUDGET & SUBSCRIPTIONS FOR 2023-24

### Purpose

- 1 To agree a budget for the WLGA and endorse the top slice arrangements for 2023-24. Some of the assumptions were agreed at the WLGA Management Sub Committee meetings on the 9<sup>th</sup> December 2022 and the 17<sup>th</sup> March 2023.

### Background

### Budget Setting 2023-24

- 2 A summary of the WLGA budget is set out below which shows a small deficit this year and a widening shortfall in subsequent years. The detailed budget and medium-term financial plan are set out in Annex 1.

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

	Draft Budget 2023-24	MTFP 2024-25	MTFP 2025-26	MTFP 2026-27
Employee costs	£ 2,891,834	£ 3,006,228	£ 3,125,197	£ 3,248,925
Premises costs	383,389	392,740	402,558	412,867
Member Services	60,000	60,000	60,000	60,000
Supplies and Services	93,776	97,015	100,416	103,986
Internal Recharges	-575,410	-575,410	-575,410	-575,410
ICT	147,875	133,975	135,025	136,075
Other Costs	466,900	340,916	345,093	349,436
SLA	8,000	8,000	8,000	6,000
<b>TOTAL EXPENDITURE</b>	<b>3,476,365</b>	<b>3,463,464</b>	<b>3,600,878</b>	<b>3,741,880</b>
<b>INCOME</b>	<b>3,474,827</b>	<b>3,474,827</b>	<b>3,474,827</b>	<b>3,474,827</b>
<b>Budget Surplus / Shortfall (-)</b>	<b>-1,538</b>	<b>11,363</b>	<b>-126,052</b>	<b>-267,053</b>
Transfer to / from (-) Reserves	0	0	0	0
<b>Budget Surplus / Shortfall (-) after adjustments to Reserves</b>	<b>-1,538</b>	<b>11,363</b>	<b>-126,052</b>	<b>-267,053</b>

3 As the outlook for next year looks challenging for our members, it is important the Association does not add to the pressures. The first draft of the budget was presented to the WLGA Management Sub Committee on the 9<sup>th</sup> December and the assumptions used in the budget are:

- Subscriptions held flat
- Retained top slice held flat
- Other top slices based on 4%
- 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 that has been approved).
- 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, subsequently rejected.
- Full recharges to apply to grant-funded and top slice-funded teams

## Treasury Management

4 We currently hold £2.5m with the CCLA Public Sector Deposit Fund which was the maximum amount originally agreed by the Audit Committee that we could hold without compromising the Association's cashflow position. Last year it was agreed at the Audit Committee that we can now hold up to £4m 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 it was agreed at the Management Sub Committee on 17<sup>th</sup> March to transfer the additional amount to CCLA.

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 income<sup>1</sup> 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. At the last Management Sub Committee there was a decision to manage this more proactively and reduce a projected surplus for 2023-24. Additional expenditure is now included in the budget:

- £15k added to the GDPR budget line 2023-24 only
- £60k added to the Research budget line 2023-24 only
- £15k added to the Other Expenses budget line to include the Workforce Benchmarking work undertaken by Data Cymru

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<sup>1</sup> 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 (ie 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 overall Fund's: assets have been valued at £28.8m and the liabilities at £25.6m, we are £3.2m in surplus. The employer contribution will reduce from 17.6% to 17.2%. Our 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 our age profile (we're expanding but getting younger) which offsets the actuarial assumptions around discount rates applied to future liabilities.
- 8 There's 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. It 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 2 is a schedule of Specified Bodies funding in 2022-23 and the principles to be applied to uplifting funding in 2023-24. 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 elsewhere at 4%. 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 to be reflected in a formal hosting agreement is being developed with Cardiff Council.
- 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 the 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 of the Management Sub Committee considered whether the use of the top slice should be used for funding budget growth as opposed to unavoidable cost pressures. They concluded that funding for this element of the top slice should be reviewed.
- 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 Approve the budget and subscriptions for 2023-24 (the assumptions in the MTFP will continue to be refined over the year following discussion at Management Sub-committee on 17<sup>th</sup> March);**
- 19.2 Note the approach to the top slices including additional funding for the National Adoption Service and Foster Wales (funding for this organisation will be reviewed); and**
- 19.3 Agree to the increase in the investment with CCLA to from £2.5m to £4m.**

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**Cleared by:** **Cllr Anthony Hunt, WLGA Finance Spokesperson**

**Author:** Jon Rae, Director of Resources  
**Tel:** 07979018007  
**E-mail:** [jon.rae@wlga.gov.uk](mailto:jon.rae@wlga.gov.uk)

## Annex 1

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

	<b>Draft Budget 2023-24</b>	<b>MTFP 2024-25</b>	<b>MTFP 2025-26</b>	<b>MTFP 2026-27</b>
	£	£	£	£
<b>Expenditure</b>				
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
<b>Employee related costs</b>	<b>2,891,834</b>	<b>3,006,228</b>	<b>3,125,197</b>	<b>3,248,925</b>
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	25,266	26,529	27,856
<b>Premises related costs</b>	<b>383,389</b>	<b>392,740</b>	<b>402,558</b>	<b>412,867</b>
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
<b>Member services</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>
IT consumables	5,000	5,250	5,513	5,788
Telephones/mobiles	16,500	17,325	18,191	19,101
Postage	3,000	3,000	3,000	3,000
Printing	3,000	3,150	3,308	3,473
Stationery	3,000	3,150	3,308	3,473
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
<b>Supplies &amp; services</b>	<b>93,776</b>	<b>97,015</b>	<b>100,416</b>	<b>103,986</b>
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
<b>Internal charges</b>	<b>-575,410</b>	<b>-575,410</b>	<b>-575,410</b>	<b>-575,410</b>

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

ICT outsourcing	110,875	110,875	110,875	110,875
GDPR Compliance	37,000	23,100	24,150	25,200
<b>ICT</b>	<b>147,875</b>	<b>133,975</b>	<b>135,025</b>	<b>136,075</b>
Communication/events	45,000	45,000	45,000	45,000
Research	80,000	20,000	20,000	20,000
Translation	25,000	25,000	25,000	25,000
Payments to Data Cymru	100,400	104,416	108,593	112,936
Wales Fiscal Analysis	20,000	20,000	20,000	20,000
Safer Communities Project	100,000	30,000	30,000	30,000
Other expenditure	40,000	40,000	40,000	40,000
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
<b>Other costs</b>	<b>466,900</b>	<b>340,916</b>	<b>345,093</b>	<b>349,436</b>
Payroll charges	8,000	8,000	8,000	6,000
<b>Service Level Agreements</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>6,000</b>
<b>Total expenditure</b>	<b>3,476,365</b>	<b>3,463,464</b>	<b>3,600,878</b>	<b>3,741,880</b>
Subscriptions	2,224,071	2,224,071	2,224,071	2,224,071
WLGA conference	15,000	15,000	15,000	15,000
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
<b>Total Income</b>	<b>3,474,827</b>	<b>3,474,827</b>	<b>3,474,827</b>	<b>3,474,827</b>
<b>Budget Surplus / Shortfall (-) before adjustments to Reserves</b>	<b>-1,538</b>	<b>11,363</b>	<b>-126,052</b>	<b>-267,053</b>
<b>Total Transfers To / From (-) Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Budget Surplus / Shortfall (-) after adjustments to Reserves</b>	<b>-1,538</b>	<b>11,363</b>	<b>-126,052</b>	<b>-267,053</b>

## Annex 2

### RSG Top slices 2023-34

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