

19<sup>th</sup> January 2024**WLGA BUDGET 2024-25 AND MEDIUM-TERM FINANCIAL PLAN****Purpose**

- 1 To update members on the Draft WLGA Budget 2024-25, the assumptions underpinning it and the Medium-Term Financial Plan (MTFP) to 2028-29.

**Background**

- 2 The WLGA's Constitution requires the Management Sub-Committee or Executive Board to set the Association's budget (statement of estimated expenditure) and which should be endorsed by the WLGA Council and subscriptions set before the end of the financial year (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 Draft WLGA 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 which models the impact of keeping subscriptions at current levels. The detail is set out in Annex I. It excludes funding for the Chief Digital Officer which is ring-fenced.

**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	£ 3,169,895	£ 3,295,411	£ 3,425,947	£ 3,561,705	£ 3,702,893
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	£ 118,936	£ 120,675	£ 122,449	£ 128,206	£ 131,565
Internal Recharges	£ -584,692	£ -603,021	£ -621,981	£ -641,597	£ -661,892
ICT	£ 133,975	£ 134,899	£ 136,100	£ 137,362	£ 138,686
Other Costs	£ 544,916	£ 370,173	£ 376,704	£ 382,389	£ 388,278
SLA	£ 9,000	£ 9,360	£ 9,734	£ 9,929	£ 10,128
<b>TOTAL EXPENDITURE</b>	<b>£ 3,846,994</b>	<b>£ 3,793,550</b>	<b>£ 3,932,144</b>	<b>£ 4,071,594</b>	<b>£ 4,214,239</b>
<b>INCOME</b>	<b>£ 3,946,389</b>	<b>£ 3,787,469</b>	<b>£ 3,758,571</b>	<b>£ 3,759,695</b>	<b>£ 3,760,839</b>
<b>Budget Surplus / Shortfall (-)</b>	<b>£ 99,395</b>	<b>£ -6,081</b>	<b>£ -173,573</b>	<b>£ -311,899</b>	<b>£ -453,400</b>

- 4 **Employee-related Expenditure** – The assumption of 4% per annum has been made 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 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 set at the CPI forecast.
- 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. Where the costs are staff related, these have been increased at a rate of 4%, when non staff related these have been raised in line with CPI forecasts.
- 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** – This shows a higher spend for 2024-25 than for other financial years due to the fact it includes £100k Safer Communities contribution for that financial year before dropping back to 30k for subsequent years. 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. Payments to Data Cymru projected to increase by 4% in line with pay assumptions.
- 11 **Service Level Agreement** – this reflects the current costs of the payroll function provided by Cardiff Council which we have projected to increase by 4% per annum.
- 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. The assumptions on income are based on maximising the holdings in the CCLA account which currently pays 5.11% and projections using the Bank of England's UK interest rates forecast which states "Economists are now expecting UK interest rates to remain around 5.50% to 5.75% for most of 2024 before starting to fall at the end of the year. UK Interest Rates are expected to fall by around 0.75% to 5% by mid-2025 and even further into 2026 where they are forecast to settle at around 4.5%."

- 13 **Top Slice Income** – the WLGA retained Top Slice income (and expenditure) 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 Executive Board is asked to:

- 15.1 Agree the WLGA Budget which is subject to formal the endorsement by the WLGA Council on the 22<sup>nd</sup> March 2024.

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**Annex I**

**Detailed Budget Breakdown**

	<b>Budget 2024-25</b>	<b>MTFP 2025-26</b>	<b>MTFP 2026-27</b>	<b>MTFP 2027-28</b>	<b>MTFP 2028-29</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expenditure</b>					
Salaries including on-costs	3,137,895	3,263,411	3,393,947	3,529,705	3,670,893
Recruitment & Advertising	5,000	5,000	5,000	5,000	5,000
Travel & Subsistence	20,000	20,000	20,000	20,000	20,000
less Provision for vacancies	-50,000	-50,000	-50,000	-50,000	-50,000
Staff training	25,000	25,000	25,000	25,000	25,000
Early retirements	20,000	20,000	20,000	20,000	20,000
Staff Welfare	12,000	12,000	12,000	12,000	12,000
Employee related costs	<b>3,169,895</b>	<b>3,295,411</b>	<b>3,425,947</b>	<b>3,561,705</b>	<b>3,702,893</b>
Rent	121,836	121,836	127,928	127,928	127,928
Rates	67,410	70,781	74,320	77,942	81,839
Service charge	107,986	110,146	113,369	115,636	117,949
Repairs	3,500	3,500	3,500	3,500	3,500
Furniture & Equipment	5,000	5,000	5,000	5,000	5,000
Building maintenance fund	0	0	0	0	0
Capitalisation Costs	50,000	50,000	50,000	50,000	50,000
WCVA Charge	24,857	25,354	25,861	26,378	26,906
Premises related costs	<b>380,589</b>	<b>386,616</b>	<b>399,978</b>	<b>406,384</b>	<b>413,121</b>
Meetings & catering	10,000	10,000	10,000	10,000	10,000
Members' expenses	59,375	64,438	68,214	72,217	76,460
Committee translation	5,000	5,000	5,000	5,000	5,000
Member services	<b>74,375</b>	<b>79,438</b>	<b>83,214</b>	<b>87,217</b>	<b>91,460</b>
IT consumables	5,250	5,355	5,462	5,571	5,682
Telephones/mobiles	17,325	17,672	18,025	18,386	18,754
Postage	1,000	1,000	1,000	1,000	1,000
Printing	2,000	2,000	2,000	2,000	2,000
Stationery	3,000	3,060	3,121	3,183	3,247
Audit fees	20,000	20,400	20,808	21,224	21,648
Insurance	41,361	42,188	43,032	47,842	50,234
Books/publications	1,000	1,000	1,000	1,000	1,000
Subscriptions	28,000	28,000	28,000	28,000	28,000
Supplies & services	<b>118,936</b>	<b>120,675</b>	<b>122,449</b>	<b>128,206</b>	<b>131,565</b>
Communications	-35,151	-33,077	-37,133	-43,339	-51,781
Administration & HR	-182,795	-182,151	-200,466	-228,492	-266,617
Finance	-113,796	-112,216	-114,870	-120,462	-128,069
ICT	-78,294	-79,539	-79,539	-79,539	-79,539
Premises cost	-174,656	-178,585	-178,585	-178,585	-178,585
WLGA support	0	0	0	0	0
Internal charges	<b>-584,692</b>	<b>-585,568</b>	<b>-610,593</b>	<b>-650,417</b>	<b>-704,591</b>
ICT outsourcing	110,875	110,875	110,875	110,875	110,875
GDPR Compliance	23,100	24,024	25,225	26,487	27,811
ICT	<b>133,975</b>	<b>134,899</b>	<b>136,100</b>	<b>137,362</b>	<b>138,686</b>

<b><u>Detailed Breakdown (Cont.)</u></b>	<b>Budget 2024-25</b>	<b>MTFP 2025-26</b>	<b>MTFP 2026-27</b>	<b>MTFP 2027-28</b>	<b>MTFP 2028-29</b>
Communication/events	45,000	45,000	45,000	45,000	45,000
Research	20,000	20,000	20,000	20,000	20,000
Translation	25,000	25,000	25,000	25,000	25,000
Payments to Data Cymru	104,416	108,593	114,022	118,583	123,326
Wales Fiscal Analysis	20,000	20,000	20,000	20,000	2,000
Safer Communities Project	100,000	30,000	30,000	30,000	30,000
Other expenditure	150,000	40,000	40,000	40,000	40,000
WLGA conference	54,000	55,080	56,182	57,306	58,452
WLGA website	1,500	1,500	1,500	1,500	1,500
Legal Costs	25,000	25,000	25,000	25,000	25,000
Other costs	<b>544,916</b>	<b>370,173</b>	<b>376,704</b>	<b>382,389</b>	<b>370,278</b>
Payroll charges	9,000	9,360	9,734	9,929	10,128
Service Level Agreements	<b>9,000</b>	<b>9,360</b>	<b>9,734</b>	<b>9,929</b>	<b>10,128</b>
<b>Total expenditure</b>	<b>3,846,994</b>	<b>3,811,003</b>	<b>3,943,533</b>	<b>4,062,774</b>	<b>4,153,540</b>
Subscriptions	2,224,071	2,224,071	2,224,071	2,224,071	2,224,071
WLGA conference	54,000	55,080	56,182	57,306	58,452
Sponsorship	0	0	0		
Other income	460,000	300,000	270,000	270,000	270,000
ADEW support	30,000	30,000	30,000	30,000	30,000
Youth Policy officer support	10,000	10,000	10,000	10,000	10,000
SWT support	30,000	30,000	30,000	30,000	30,000
Top slice retained	1,059,668	1,059,668	1,059,668	1,059,668	1,059,666
Property income	78,650	78,650	78,650	78,650	78,650
<b>Total Income</b>	<b>3,946,389</b>	<b>3,787,469</b>	<b>3,758,571</b>	<b>3,759,695</b>	<b>3,760,839</b>
<b>Budget Surplus / Shortfall (-) before adjustments to Reserves</b>	<b>99,395</b>	<b>-23,534</b>	<b>-184,962</b>	<b>-303,079</b>	<b>-392,701</b>
<b>Total Transfers To / From (-) Reserves</b>					
<b>Budget Surplus / Shortfall (-) after adjustments to Reserves</b>	<b>99,395</b>	<b>-23,534</b>	<b>-184,962</b>	<b>-303,079</b>	<b>-392,701</b>