

26th March 2021

WLGA DRAFT BUDGET 2021-22 & MEDIUM TERM FINANCIAL PLAN

Purpose

1. For WLGA Council to endorse the decision made by the WLGA Executive on 29 January to agree WLGA's 2021-22 Budget proposals and the Medium-Term Financial Plan (MTFP) to 2024-25. This sets a subscription increase of 2% for 2021-22.

Background

2. Over recent years, the WLGA has implemented a number of cost reduction schemes including voluntary redundancies, in order to manage budget pressures. These measures have stood the Association in good stead for 2021-22. However, increased workforce costs and other budget pressures will create a budget gap in future years so further efficiencies and savings will be required.

The WLGA Draft Budget 2021-22 and Medium Term Financial Plan (MTFP) to 2024-25

3. A summary of the budget and medium-term financial plan is set out in Figure 1 below. The detailed 2021-22 Draft budget is set out in the annex. The figure below demonstrates the impact of a 2% increase in subscriptions. This aligns the subscription level with the lowest increase in the settlement, consistent with previous years' practice.
4. **Employee-related Expenditure** – the pay award for 2021-22 and beyond has not yet been agreed so an assumption of 2% for pay growth has been included within the budget and the MTFP to 2024-25. The provision for vacancies has been increased to £50,000 as at least one vacancy is usually carried in the course of a year.
5. **Premises Expenditure** – Office accommodation costs have been included using the same figures as 2020-21 with an uplift for inflation but these costs will reduce in the medium term as the move to a new premises has been made in principle by the WLGA's Management Sub-Committee. Any upfront costs will be met from the reserve.

6. **Member Services Expenditure** – this budget sets out the costs of allowances and regular WLGA political meetings but does not include any officer support costs (democratic officer and political assistant posts) which are included within Employee costs.
7. **Supplies and services expenditure** – All contracts are subject to an on-going review to ensure the Association receives value for money across these areas.

Figure 1: Summary Draft Budget 2021-22 and Medium Term Financial Plan (MTFP) to 2024-25

	Draft Budget 2021-22	MTFP 2022-23	MTFP 2023-24	MTFP 2024-25
Employee costs	2,691,000	2,762,000	2,820,000	2,913,840
Premises costs	374,000	376,000	378,000	379,600
Member Services	60,000	61,000	62,000	63,000
Supplies and Services	108,000	109,000	110,000	111,000
Internal Recharges	-200,000	-200,000	-200,000	-200,000
ICT	197,000	197,000	197,000	197,000
Other Costs	244,000	244,000	244,000	244,000
SLA	6,000	6,000	6,000	6,000
TOTAL EXPENDITURE	3,480,000	3,555,000	3,617,000	3,714,440
INCOME	3,493,490	3,528,469	3,564,497	3,601,607
Budget Surplus / Shortfall (-)	13,490	-26,531	-52,503	-112,833
Transfer to / from (-) Reserves	13,490	-26,531	-52,503	-112,833
Budget Surplus / Shortfall (-) after adjustment	0	0	0	0

8. **Internal Recharges** - A detailed review of all costs related to employing, managing and hosting people within the organisation, along with organisational overheads was undertaken in 2019-20. This figure reflects the contribution from grant-funded teams towards these costs. The aim is to ensure that all income streams bear a fair share of the organisational overheads.
9. **ICT Expenditure** – There are two ICT contracts covered by this budget line – the provision of basic ICT systems and support through Cardiff council and the cost of “Saffron”, the system that supports the Food in Schools initiative. The Saffron contract has been reviewed within the last three financial years and the Service Level Agreement with Cardiff is due for review this year. It will tie in with the accommodation review.
10. In addition to this, the WLGA now has a contract with Cardiff Council to support compliance with the General Data Protection Regulations (GDPR) at a cost of £9,100 each year.

11. **Other Costs** – the £30,000 WLGA contribution to the Safer Communities Project (a collaboration between local government, the Welsh government and the four Police and Crime Commissioners) and the £20,000 contribution to Wales Fiscal Analysis to support their research into public finances in Wales are both continued into 2021-22. Other budget lines have mostly been held flat in cash terms and will be reviewed with a view to releasing further savings.
12. **Service Level Agreement** – this reflects the current costs of the payroll function provided by Cardiff Council.
13. **Income** – the WLGA Council has previously agreed that WLGA subscriptions would match the overall change in the local government revenue settlement. The table above and the more detailed budget set out in Annex 1, show members the results of a 2% increase in WLGA subscriptions for 2021-22, in line with the lowest local government revenue settlement increase received by a member authority. A flat cash position is assumed for subscriptions for future years in the MTFP.
14. Overall the budget will balance in 2021-22 although in subsequent years there is a shortfall that will have to be met from a mixture of increased subscriptions and/or further efficiency measures. Once a clearer way forward is apparent for the accommodation review, any savings can be built into the medium-term financial plan.
15. **Reserves** – the Audited Accounts for 2019-20 shows a reserve level of £3.282m. Half of this is attributable to deferred income balances for grants predominantly funded by the Welsh Government so the funds are not available for general use. The pandemic has created a sizable underspend in the WLGA budget that has been reported in the quarterly variance analyses to the SMT. This is estimated to add at least £313k to the level of useable reserves giving an estimated figure £1.987m at the end of this financial year. A sizeable proportion of this can be used on the office accommodation project.

Figure 2: Projected reserve position £(m)

Net assets (excl pension liabilities)	3.382
Deferred income (incl food in schools)	1.708
Usable Reserves @	
31/03/20	1.674
As a % of income (subs + topslice)	53%
Projected underspend (20-21)	0.313
Projected usable reserve @ 31/03/21	1.987
As a % of income (subs + topslice)	63%

Recommendations

16. Members are asked to:

16.1 endorse the decision made by the WLGA Executive to set the 2021-22 budget, the Medium Term Financial Plan, and specific recommendations; and

16.2 support the increase to WLGA subscriptions of 2% next year.

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	Draft Budget 2021-22	MTFP 2022-23	MTFP 2023-24	MTFP 2024- 25
	£	£	£	£
Expenditure				
Salaries including on-costs	2,631,000	2,702,000	2,760,000	2,853,840
Recruitment & Advertising	5,000	5,000	5,000	5,000
Travel & Subsistence	65,000	65,000	65,000	65,000
less Provision for vacancies	-50,000	-50,000	-50,000	-50,000
Staff training	20,000	20,000	20,000	20,000
Early retirements	20,000	20,000	20,000	20,000
Employee related costs	2,691,000	2,762,000	2,820,000	2,913,840
 Premises related costs				
Rent	215,000	215,000	215,000	215,000
Rates	61,000	62,000	63,000	64,000
Service charge	18,000	18,000	18,000	18,000
Lift maintenance	6,000	6,000	6,000	6,000
Repairs	13,000	13,000	13,000	13,000
Office cleaning	16,000	16,000	16,000	16,000
Utilities	28,000	29,000	30,000	30,600
Security & fire	5,000	5,000	5,000	5,000
Furniture & Equipment	2,000	2,000	2,000	2,000
Building maintenance fund	10,000	10,000	10,000	10,000
Premises related costs	374,000	376,000	378,000	379,600
 Meetings & catering				
Advisers expenses	1,000	1,000	1,000	1,000
Meetings & catering	20,000	20,000	20,000	20,000
Members' expenses	34,000	35,000	36,000	37,000
Committee translation	5,000	5,000	5,000	5,000
Member services	60,000	61,000	62,000	63,000
 Books/publications				
IT consumables	5,000	5,000	5,000	5,000
Telephones/mobiles	23,000	23,000	23,000	23,000
Postage	5,000	5,000	5,000	5,000
Printing	12,000	12,000	12,000	12,000
Stationery	8,000	8,000	8,000	8,000
Audit fees	12,000	12,000	12,000	12,000
Insurance	27,000	28,000	29,000	30,000
Subscriptions	2,000	2,000	2,000	2,000
Supplies & services	14,000	14,000	14,000	14,000
Supplies & services	108,000	109,000	110,000	111,000
 Communications				
Administration & HR				
Finance				
ICT				
Premises cost				
WLGA support in kind				
Internal charges	-200,000	-200,000	-200,000	-200,000
 GDPR Compliance				
ICT outsourcing	188,000	188,000	188,000	188,000
GDPR Compliance	9,000	9,000	9,000	9,000

ICT	197,000	197,000	197,000	197,000
Communication/events	30,000	30,000	30,000	30,000
Research	20,000	20,000	20,000	20,000
Translation	25,000	25,000	25,000	25,000
Payments to Data Cymru	70,000	70,000	70,000	70,000
Wales Fiscal Analysis	20,000	20,000	20,000	20,000
Safer Communities Project	30,000	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	4,000	4,000	4,000	4,000
National Performance Indicators	0	0	0	0
Other costs	244,000	244,000	244,000	244,000
Payroll charges	6,000	6,000	6,000	6,000
Service Level Agreements	6,000	6,000	6,000	6,000
Total expenditure	3,480,000	3,555,000	3,617,000	3,714,440
Subscriptions	2,138,530	2,138,530	2,138,530	2,138,530
WLGA conference	15,000	15,000	15,000	15,000
Sponsorship	10,000	10,000	10,000	10,000
Other income	40,000	40,000	40,000	40,000
Recharges to Data Unit	10,000	10,000	10,000	10,000
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	1,165,960	1,200,939	1,236,967	1,274,076
Good Practice Wales	0	0	0	1
Property income	44,000	44,000	44,000	44,000
Total Income	3,493,490	3,528,469	3,564,497	3,601,607
Budget Surplus / Shortfall (-) before adjustments to Reserves	13,490	-26,531	-52,503	-112,833
Total Transfers To / From (-) Reserves	13,490	-26,531	-52,503	-112,833
Budget Surplus / Shortfall (-) after adjustments to Reserves	0	0	0	0