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**REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 19 JUNE 2020**

**SUBJECT: UNAUDITED ANNUAL ACCOUNTS FOR 2019/20**

**BY: TREASURER TO THE BOARD**

**1. REASON FOR REPORT**

- 1.1 To consider the unaudited Annual Accounts for the Grampian Valuation Joint Board for the year ended 31 March 2020.

**2 RECOMMENDATION**

- 2.1 It is recommended that the Board considers the unaudited Annual Accounts of the Grampian Valuation Joint Board for the year ending 31 March 2020.**

**3. BACKGROUND**

- 3.1 Joint Boards are required to account for their activities to the communities that they serve and to have the financial effect of those activities audited by External Auditors.
- 3.2 In accordance with the Local Authority Accounts (Scotland) Regulations 2014, it is a statutory requirement that the unaudited Annual Accounts are presented to the Board's appointed Auditor by the 30 June in the next financial year. Although this is the statutory deadline, there is an agreement that Joint Board Accounts will be completed by 31 May and the Annual Accounts 2019/20 were submitted to the External Auditor, Audit Scotland, on 25 May 2020.
- 3.3 The unaudited Annual Accounts for 2019/20 have been prepared in accordance with the Code of Practice on Local Authority Accounting, supported by International Financial Reporting Standards.

**4. 2019/20 ANNUAL ACCOUNTS**

- 4.1 Copies of the unaudited Annual Accounts for the year ended 31 March 2020 have been distributed with this report.

- 4.2 The Board approved the 2019/20 budget of £4,463,000 at their meeting on 1 February 2019 (paragraph 4 refers). The net expenditure for the year was £4,248,000, giving an underspend of £215,000. The estimated outturn reported to the Board on 7 February 2020 was £212,000 of an under spend. This final outturn and variances are discussed in more detail in paragraphs 4.12 to 4.19 below.
- 4.3 The Board at its meeting on 28 January 2011 (paragraph 4 refers) agreed to create a General Reserve from the surplus generated in that year and that transfers to the General Fund would be restricted to 3% of the total budget in any one year and that the cumulative balance of the fund would not exceed 5% of the total budget. Under the policy the maximum amount that can be transferred to the General Fund in 2019/20 is £8,000, increasing the balance of the fund from £215,000 to £223,000.
- 4.4 The budget for 2019/20 included £99,000 provision to meet the preparations to deliver the NDR reforms following the Barclay review. This budget was for additional staff and for IT costs. It was agreed at the meeting of the Board on 7 February 2020 that an earmarked reserve could be created to allocate any unspent budget on NDR reform to cover the implementation of the reform in future years. Any balance on this earmarked reserve, when NDR reform is fully implemented, would be returned to the constituent authorities.
- 4.5 Due to slippage in IT, and difficulties recruiting staff, there was an underspend of £91,000 from the NDR reform budget. This was transferred to the newly created earmarked reserve. The total of the Usable Reserves £314,000 is the balance of the General Reserve (£223,000) and the earmarked NDR portion (£91,000), as shown in Note 16 to the Accounts.
- 4.6 Following the transfer to the General Fund and the earmarked portion of the reserve, for NDR, an anticipated £116,000 falls due to be returned to the constituent authorities. The confirmed audited amount will be reported at the Board meeting in August 2020 for approval. The split between authorities is shown below:

<b>2019/20 Proposed Surplus Refund to Authorities</b>		
	<b>%</b>	<b>£</b>
Aberdeen City Council	39.02	45,151
Aberdeenshire Council	44.65	51,666
Moray Council	16.33	18,896
<b>Total</b>	<b>100.00</b>	<b>115,713</b>

- 4.7 The Comprehensive Income and Expenditure Account shows a deficit of £571,000 on the provision of services for the year. Adjustments are required to reverse the statutory accounting charges and replace with charges relating to Local Government statutory regulations. These adjustments include the removal of the full charge for pension costs and holiday pay earned in accordance with International Accounting Standard 19 Employee Benefits (IAS19). These are replaced by superannuation contributions payable and an

accrual for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward, totalling £647,000. The depreciation charge of £23,000 is also removed.

- 4.8 This results in the net transfer to the General Fund of £8,000, and the NDR earmarked portion of £91,000.
- 4.9 The Movement in Reserves Statement in the Annual Accounts shows the movement in the year on the various reserves held by the Board, analysed into Usable Reserves, i.e. those that can be used to fund expenditure, and Unusable Reserves, i.e. those that have been created for specific accounting entries and do not represent distributable funds.
- 4.10 The Usable Reserves show the reserves which members of the Board have control over; the General Reserve of £223,000 and the earmarked NDR Reserve of £91,000.
- 4.11 The Unusable Reserves record accounting entries which the Board is required to disclose and do not represent funds available for use. These include balances for the Revaluation Reserve, Capital Adjustment Account, Pensions Reserve and the Employee Statutory Adjustment Account. More detail on the purpose of these reserves and the movements during the year in them are described in Note 17 to the Accounts.

#### **Significant Variances between Budget and Actual for 2019/20**

- 4.12 The actual result for the year, set out in the usual budget monitoring format, forms **APPENDIX 1** to this report.
- 4.13 Employee costs were under budget by £169,000, mainly due to vacancies and part vacancies throughout the year. An element of vacancies is to be expected and so a vacancy management provision of £76,000 was made in the 2019/20 budget, taking into account the inherent interval that occurs between filling posts, and the level of vacancies within the service at budget setting time.
- 4.14 Property costs were over budget by £2,000 in total. The main variance was due to rising energy costs at the Banff office, which were over budget by £3,000.
- 4.15 Supplies and Services were under budget in total by £22,000. Expenditure on postages varies considerably on a year by year basis and, this year, reflects the costs of the unplanned election in December 2019. These can be offset against the variance in Electoral Registration bulk mailing costs.
- 4.16 IT budgets were also under spent in the year, by £48k, mainly due to the slippage of NDR expenditure. This makes up part of the year end transfer to the NDR earmarked reserve.
- 4.17 Valuation appeal hearings were above average this year due to a high volume of revaluation appeals scheduled for the end of the year, resulting in a £26,000 over spend by year end.

4.18 There were other minor variances in supplies and services.

4.19 Income received during the year was above budget by £26,000 in total. The sale of electoral registers was as previously estimated for the year, and the government grant received for Individual Electoral Registration (IER) was higher than originally budgeted.

## **5. CONCLUSION**

5.1 The Board met the statutory deadline for the submission of the annual accounts to the External Auditor on 25 May 2020.

5.2 The Board generated a surplus of £215,000 for the year to 31 March 2020. It is anticipated that a total of £116,000 will be returned to constituent authorities following the annual audit.

Author of Report:	Susan Souter, Accountant
Background papers:	Held within Accountancy Section, Moray Council
Date:	