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**REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 27 JANUARY 2023**

**SUBJECT: FINANCIAL PLANNING FOR 2023/24 AND FUTURE YEARS**

**BY: TREASURER TO THE BOARD**

**1. REASON FOR REPORT**

- 1.1** To consider the three year Revenue Budget from 2023/24 and to agree the requisitions for 2023/24 from the three constituent authorities.

**2. RECOMMENDATIONS**

**2.1 It is recommended that the Board approves:**

- (i) Three year Revenue budget from 2023/24;**
- (ii) Requisitions to the constituent authorities for 2023/24 to be set at £5,034,000 as detailed in the table in paragraph 6.3;**
- (iii) The planned use of £163,000 from the NDR Reform reserve to cover budgeted spend in 2023/24.**

**3. BACKGROUND**

- 3.1** The main issues for the Assessor's service to be addressed in setting the budget are:

- Financial uncertainty in key areas, particularly salaries, accommodation and postages
- Level of staff turnover/challenges in recruiting and retaining staff
- Implementation of NDR reform
- Implementation of changes brought in by Elections Act
- The continuing pressures that the coronavirus outbreak has had on the operations of the organisation

- 3.2** At the Board meeting on 28 October 2022, the Board were presented with a draft three year budget for discussion. The report included the NDR reform budget, identified separately in the appendix, and outlined various scenarios for the pay award, with the mid-point 5% built into the indicative budget. Other

areas for discussion included accommodation costs and in particular the move to a new office suite within Woodhill House. IT support services were also presented, with possible savings reflected in 2024/25. It was highlighted that costs were expected to increase for Electoral Registration postage although no this had not been quantified in the draft budget. This report will bring the Board up to date on matters arising since the last meeting, and amend the proposed budget as required

#### **4. CURRENT POSITION**

- 4.1 The Revenue Monitoring report to 31 December 2022, in a separate report to this Board meeting, discusses the reasons for variances that are having an effect on the service. These issues are discussed in more detail below and incorporated in the budget.

#### **5. BUDGET PROPOSALS 2023/24**

- 5.1 **Appendix 1** shows the current indicative core budget for each of the three years ahead split between core and NDR.

##### **Salaries and Recruitment**

- 5.2 Salaries and employers' on-costs make up approximately 75% of the net expenditure budget of the service. The service is reliant on recruiting and retaining professional staff in order to carry out its statutory functions. However, it has regularly been reported in the budget monitoring reports to the Board that the recruitment of staff is a difficulty for the service, and is believed to be a common problem in both the public and private sector.
- 5.3 The budget for 2023/24 includes a 10% recruitment and vacancy adjustment in the budget, to incorporate an average level of vacancies and the interval that arises between filling posts. There is a risk associated with this concept, however, as the service aims to have a full staffing complement.
- 5.4 The 1.25% increase in National Insurance contributions introduced in April 2022 were reversed from 6 November 2022, and this change has been reflected in the budget figures. This reduces the budget required by approximately £30,000 each year.
- 5.5 The impact of a range of possible pay awards was explained in October's financial planning report and are shown again in the table below. These figures are for all establishment core posts only, excluding the NDR posts, as these would be funded from the earmarked reserve. The figures used include employers' on-costs (National Insurance and Superannuation), take account of any salary increments due and are before any vacancy factor has been deducted. Per the table, a 2% pay award has an impact of around £91,000-£93,000 in salary costs in each of the next three years, a 5% pay award increases the budgeted staff costs between £206,000 and £224,000, and a 7% pay award ranges from £283,000 to £312,000 increase per annum. The midpoint assumption of 5% has been included in the draft budget presented in **Appendix 1**.

<b>Scenario</b>	<b>Impact on 2023/24 budget £000</b>	<b>Impact on 2024/25 budget £000</b>	<b>Impact on 2025/26 budget £000</b>
2% pay award	91	93	91
5% pay award	206	217	224
7% pay award	283	303	312

- 5.6 Additional budget of £27,000 has been added to salaries and training to cover training and staff costs associated with the Electoral Integrity Programme (EIP). These costs are funded by a grant given to local authorities. This is detailed further in section 5.18 of this report.

### **Accommodation**

- 5.7 Mentioned in the budget monitoring report to this Board, the move to a new office suite within Woodhill House has been delayed and reconfiguration works are yet to commence at the time of writing this report. The 2021/22 budget included part year savings for the new office accommodation, and these were reinstated in 2022/23 when no date was set for the move and the current rental and service charges would continue until the relocation. At the time of writing, the latest update that has been received from Aberdeenshire Council has indicated that although discussions are ongoing to progress matters, nothing has yet been agreed. It is therefore unlikely that that a move will take place before late 2023/24. The draft Heads of Terms for the proposed lease has been received which would result in a reduced rental and service charge. The full year savings, taken by comparing the 2022/23 budget and the proposed budget is shown in the table below.

<b>Woodhill House budgets</b>	<b>Proposed £000</b>	<b>Current £000</b>
Rent	22	125
Service Charge	90	70
Rates	61	74
Refurbishment costs (one off)	20	-
<b>Total</b>	<b>193</b>	<b>269</b>

- 5.8 The proposed terms would result in an estimated budget reduction of £76,000 in 2024/25, including the one off refurbishment costs, which will more than likely be higher than the originally quoted figure due to construction inflation. With additional resilience provided by the lower cost satellite offices in Elgin and Banff, future savings are possible.

### **IT and procurement**

- 5.9 As reported in October, the Assessor had been working with Aberdeenshire Council on a Service Level Agreement where Aberdeenshire provide ongoing IT support services to the Valuation Board and the new arrangements are now operative, with Aberdeenshire providing an ICT service using, where possible, existing Aberdeenshire infrastructure. Initial costings provided to the Board

for start-up cost was £45,750 of which around £35,000 has still to be incurred. The vacant IT Manager post was removed from the establishment in 2022/23 as a result of the change.

- 5.10 There is still some work to be carried out to establish what other costs would have to be paid for by the board, e.g. specialised software licensing and support and other IT budget savings are currently being explored. Until the network and infrastructure are moved wholly over to Aberdeenshire, the Assessor will need to keep paying most of the costs. As it looks as though this will not progress until Q2 of 2023/24 they will have to continue with the current contracts for another year, the core IT budget will need to be £320,000.
- 5.11 If all goes to plan, potential savings within ICT will then be realised. These figures are therefore reflected in the 2024/25 budget in the Appendix, as a reduction in the budget of £165,000.

### **Other Costs and Savings**

- 5.12 Staff travel costs arise from staff travelling to site inspections. Recent changes in working practices to obtain relevant information from sources other than visual inspection – such as building warrants, completion certificates – has led to a reduction in travel costs. Although this shift has produced benefits, there may be an increased requirement for physical inspections during 2023/24 following the 2023 Revaluation and the associated NDR reforms. The proposed budget is therefore unchanged from 2022/23.
- 5.13 The service has a minimal budget for furniture and equipment. There may be the requirement to replace furniture in the relocated offices in Woodhill House, which is not currently budgeted for.
- 5.14 Printing and Stationery budgets have been reduced in 2023/24 and generated a saving of £16,000.
- 5.15 Postages and Electoral Registration Printing budgets have been increased by £55,000 to reflect the increase in prices which are currently around 20% higher than they had previously been.
- 5.16 Specialist Services budget has been reduced, creating a saving of £4,000 each year. This budget includes the external audit fee, the actuary recharge for the pension fund disclosure and disclosure checks.
- 5.17 A movement in some of the functions of the Valuations Appeals Committee (VAC) over to the Scottish Courts and Tribunals Service will mean less Valuation Appeals expenses and so the £26,000 budget for VAC panel costs has been removed from 2023/24 onwards. The £30,000 budget for VAC costs (Counsel and solicitor fees) will still be required.

### **New Burdens Funding**

- 5.18 As discussed in the revenue monitoring report to this meeting, funding has been given to EROs for the introduction of the Electoral Integrity Programme (EIP) from May 2023 across the UK, in order to meet the requirements of the

Elections Act 2022. New measures are required such as introducing the requirement to show ID at polling stations, improving the accessibility of elections to make it easier for people with disabilities to vote, and bringing in changes to postal and proxy voting.

- 5.19 Initial funding was provided to EROs in November 2022, with further payments in April 2023 and April 2024. A justification led bid process will also be offered in Summer/Autumn 2023 and 2024.
- 5.20 The GVJB can expect grants to cover additional staff costs in connection with the new voter ID documents with the possibility of further funding in 2023 and 2024. Specialist equipment e.g. camera or scanner may also need to be purchased from the grant.
- 5.21 £12,969 was received in November 2022 and £14,023 will be received in 2023/24.

### **NDR Reform**

- 5.22 The NDR Reform budget for 2022/23 was the amount expected to be included within the local government settlement plus committed amounts carried forward from previous years that was to be funded from the earmarked reserves.
- 5.23 The total funding allocated to the three authorities in 2023/24 is £268,000 (Aberdeen City £104,000, Aberdeenshire £120,000, Moray £44,000) and this, along with £163,000 from the NDR Reform reserve is the budget.
- 5.24 The remaining balance in the NDR Reform reserve is available should there be an opportunity to move forward with any previously delayed ICT projects. The current balance on the earmarked NDR reserve is £408,000 with a forecast underspend in 2022/23 of £141,000. Per the estimated actuals only £6,000 would be required to be funded from the reserve, bringing the balance down to £402,000 at 31 March 2022.
- 5.25 The budget for 2023/24 onwards is the originally planned budget for the year included within the local government settlement.

### **Reserves**

- 5.26 It is not expected that the use of reserves will be required to balance spend in 2023/24 and reserves at 31 March 2023 will remain at the maximum approved level of £224,000, after transferring the estimated surplus from 2022/23. At its meeting on 3 March 2020 the Board approved that a minimum general reserve of 2.5% of estimated annual net expenditure would be maintained. Based on the proposed 2022/23 estimated net expenditure of £4.2 million, this equates to a minimum general reserve of £105,000. The Board therefore has flexibility to use up to £119,000 to cushion the impact of inflation on its budget for 2023/24. Given the level of uncertainty over pay awards, the quantification of risk summarised in paragraph 5.26 below and the observations on balance of risk referred to in paragraph 3.1 the Board may consider it prudent not to plan use of reserves and the draft budget reflects that prudent position.

## Risks

- 5.27 Various financial risks have been identified throughout the report and are summarised here for ease of reference. Many of the budget savings are dependent on external factors and phasing them into the proposed budget has associated risks. It should be noted that the total risk identified exceeds the maximum general reserve permitted to be held and that indicates that there is little scope for the Board to reduce the draft budget expenditure. The Board can only requisition once and the only scope for covering additional expenditure if these risks crystallise is use of general reserve.

Risk	Para ref	Potential impact £000s
Insufficient allowance for pay award (5% to 7% including oncosts)	5.5	77
Above average vacancy factor (5% to 10%)	5.3	198
Woodhill House relocation doesn't go ahead	5.7	76
ICT savings (realised in 2024/25)	5.9	165
Valuation appeals	5.17	26
Total		540

- 5.28 There are also risks arising from changing service requirements, which can also affect the financial requirements of the service.
- 5.29 The proposed 2023/24 Revenue Budget is shown in the Appendix. The proposed net expenditure budget is an increase of £314,000 from 2022/23, of which £298,000 is an increase in the core budget, and an increase of £16,000 in NDR Reform budget, with a requirement of £163,000 to be funded from NDR reserves and £13,000 from the Electoral Reform reserve. The total net increase in requisitions is £285,000 and is summarised below, separated into core budgets that are controlled by the Board, and the budget for the NDR Reform requirements.

Budget movements 2023/24	£000s
<b>Impact on core budget</b>	
<u>Increases</u>	
Staffing budget – 5% pay award, increments, travel	363
Energy Costs – Banff Office	2
Equipment Maintenance	6
Postages & ER Printing	55
Other Supplies & Services	2
Lead Authority Charge	3
<u>Decreases</u>	
Staffing budget – Vacancy management	(33)

Accommodation Charges – rates reduction	(11)
Staff Travel and subsistence	(6)
Reference books	(1)
Printing & Stationery	(16)
IT Maintenance and Support	(18)
Valuation Appeals	(26)
Specialist Services	(4)
Income increase	(4)
Government Grant – Electoral Reform	(14)
Electoral Reform use of reserves	(13)
<b>Net increase in core budget</b>	<b>285</b>
NDR reform – increase in staffing and travel costs	34
NDR reform – reduction in other costs	(18)
NDR reform use of reserves	(16)
<b>Total increase in requisitions from 2022/23 to 2023/24</b>	<b>285</b>

## 6 REQUISITIONS

- 6.1 The table below shows the requisition for each constituent authority, in order to fund the Board's revenue budget for 2023/24 of £5,034,000.
- 6.2 The constituent authorities have previously agreed that expenditure by the Board should be apportioned between authorities pro rata to the population figures for each council. The population figures used are the latest published by the National Records of Scotland in their Mid-Year Population Estimates, for mid-2021.
- 6.3 The proposed requisitions of £5,034,000 are an increase in the 2022/23 requisitions by £285,000 in total.

	Population	Requisition %	Proposed Requisition 2023/24 £	Requisition 2022/23 £	Increase on 2022/23 Requisition %
Aberdeen City	227,430	38.77	1,951,959	1,857,750	5.1
Aberdeenshire	262,690	44.79	2,254,585	2,115,010	6.6
Moray	96,410	16.44	827,456	776,240	6.6
<b>Total</b>	<b>586,530</b>	<b>100.00</b>	<b>5,034,000</b>	<b>4,749,000</b>	<b>6.0%</b>

## **7. CONCLUSION**

- 7.1 Preparing the three year Revenue Budget has been a challenging task, trying to balance the increasing demands made upon the service against the financial constraints imposed on the public sector.**
- 7.2 The Assessor has proposed savings and efficiencies where possible and has maintained the vacancy management factor within the core staffing budget. Senior Management will continue to look for efficiencies and savings in the budget.**
- 7.3 There is potential to use general reserves to cushion the impact of increased budgets, where these cannot be covered by savings. However, this should be balanced against the potential risks to the Board identified in this report which are estimated to potentially outweigh the general reserve held.**

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Background papers: Held within Accountancy Section, Moray Council  
Ref: