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**REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 3 NOVEMBER 2023**

**SUBJECT: FINANCIAL PLANNING FOR 2024/25 AND FUTURE YEARS**

**BY: TREASURER TO THE BOARD**

**1. REASON FOR REPORT**

**1.1** To consider the indicative budgets that will form the three year Revenue Budget from 2024/25 onwards, and to discuss the operational issues facing the Assessor & Electoral Registration Officer (ERO) in the medium to long term.

**2. RECOMMENDATIONS**

**2.1** It is recommended that the Board considers and notes:

- (i) Current indicative three year core budget from 2024/25 and that this will be further adjusted during the preparation of the Revenue Budget for 2024/25;**
- (ii) Various scenarios which could impact on the revenue budget and the range of potential assumptions and risks;**
- (iii) Operational issues facing the service; and**
- (iv) Actions to be taken ahead of the budget setting meeting in January 2024.**

**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 and accommodation
- Level of staff turnover/challenges in recruiting and retaining staff
- Implementation of Non-Domestic Rates (NDR) reform
- Implementation of changes brought in by Elections Act

- 3.2 At the Board meeting on 27 January 2023, the Board agreed the Revenue Budget for 2023/24 (paragraph 4 of the Minute refers) of £5,210,000 and approved the requisitions to constituent authorities of £5,034,000, with £13,000 being funded from the Electoral reform reserve and £163,000 being funded from the earmarked NDR reserve. An indicative budget for the following two years was also presented. It is proposed that this is the starting point for the budget process ahead of the meeting to approve the budget in January 2024.

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

- 4.1 The Revenue Monitoring report to 30 September 2023, a separate report to this Board meeting, discusses the reasons for variances that are having an effect on the service. There is a high level of uncertainty regarding key variables in the budget, including staff pay award, accommodation plans, and these issues will be considered and built into financial planning over the coming months. They are discussed in more detail below.
- 4.2 **Appendix 1** shows the current indicative core budget for each of the three years ahead. Funding to cover the cost of implementing NDR Reform is included within the local government settlement, and these have been shown in **Appendix 1**, alongside the core budget, to distinguish between movements in the current core budget.

#### **5. BUDGET PROPOSALS 2024/25**

##### Salaries and Recruitment

- 5.1 Salaries and employers' on-costs make up approximately 76% 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.
- 5.2 The budget for 2024/25 includes a 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.
- 5.3 An estimated pay award of 5% for 2023/24 has been built-in to the starting point for the 2024/25 staffing budget.
- 5.4 The year on year impact of a range of possible pay awards is shown 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-£112,000 in salary costs in each of the next three

years, a 5% pay award increases the budgeted staff costs between £227,000 and £233,000, and a 7% pay award ranges from £314,000 to £332,000 increase per annum. The mid-point assumption of 5% has been included in the indicative budget presented in **Appendix 1**.

<b>Scenario</b>	<b>Impact on 2024/25 budget £000</b>	<b>Impact on 2025/26 budget £000</b>	<b>Impact on 2026/27 budget £000</b>
2% pay award	112	97	91
5% pay award	233	227	230
7% pay award	314	318	332

- 5.5 A vacancy factor has been applied to the Valuation Board's staffing budget over recent years as it takes into account the variances caused by factors such as short and long term vacancies, and employing staff on lower salary scale points than are budgeted for. The level of vacancy factor is considered each year when planning the budget to take into account the current staffing situation, vacancies etc. as well as likelihood of successful recruitment.
- 5.6 In 2023/24 a 10% vacancy factor on all core posts was agreed as appropriate and was the equivalent of reducing the budget by £302,000. At the time of writing this report the current level of core vacancies, by gross budget, is 18%.
- 5.7 As reported in the revenue monitoring report to this meeting, there are currently 14 vacancies. Recruitment is ongoing for various levels of post and the difficulties experienced in recruiting at qualified Valuer level is being addressed. One path that has been explored to fill the vacancies is where Technicians can transfer to Valuer position via a Royal Institute of Chartered Surveyors (RICS) accredited course at Napier University which is fully funded on an apprenticeship scheme at no cost to both the employer and employee. Currently one member of staff has taken this up from September this year and at least one other is likely to do so next year. Given this, it is proposed to maintain the vacancy factor at 10%; the equivalent of £318,000 of the 2024/25 gross staffing budget. The vacancy factor is included in the proposed budgets in the appendix.

#### Accommodation

- 5.8 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 2023/24 budget had included part year savings for the new office accommodation, in anticipation of the move taking place in 2023/24. At the time of writing, no update has been received from Aberdeenshire Council on the expected date a move would take place but it is anticipated there should be progress on this in the next few months and so a full year savings of £46,000 have been forecast from 2024/25. The proposed terms are higher than had been initially been advised during early discussions with Aberdeenshire Council but still results in an estimated saving of £46,000 for the next 3 years, with the current lease

expiring on 31 March 2027. The proposed costs are shown in the table below.

<b>Woodhill House Costs</b>	<b>Proposed £000</b>	<b>Current £000</b>
Rent	71	125
Service Charge	93	88
Rates	64	61
<b>Total</b>	<b>228</b>	<b>274</b>

#### IT and procurement

5.9 The Assessor has been working with Aberdeenshire Council on a Service Level Agreement where Aberdeenshire provide ongoing IT support services to the Valuation Board. The vacant IT Manager post was removed from the establishment in 2022/23 as a result of the change. They have moved to a shared IT service using, where possible, existing Aberdeenshire infrastructure and initial costings provided to the board for start-up costs was around £45,750 of which around £35,000 has still to be incurred.

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. It is hoped that this development will progress before the end of the financial year, and the preliminary costs have been built into the 2023/24 budget going forward. The financial implications are shown in the table below. Until the network and infrastructure are moved wholly over to Aberdeenshire, the Assessor will need to keep paying most of the costs.

	<b>2023/24 £000</b>
System Costs (annual cost)	80,000
Start-up Costs (one off cost)	35,000

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 £150,000.

#### Other Costs and Savings

5.12 Staff travel costs arise from staff travelling to site inspections. The proposed budget is unchanged from 2023/24.

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 were reduced in 2023/24 and generating a saving of £16,000 and it is proposed to keep the budget at this level going forward.
- 5.15 Postages and Electoral Registration Printing budgets have been increased by 20% in 2024/25 due to expected price increases.
- 5.16 Although some of the functions of the Valuations Appeals Committee (VAC) have moved over to the Scottish Courts and Tribunals Service the £30,000 remains a budget for VAC costs e.g. Counsel and solicitor fees will still be required.

#### New Burdens Funding

- 5.17 As discussed in the revenue monitoring report to this meeting, there is funding being given to local authorities and Valuation Joint Boards 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.
- 5.18 The level of funding and expected costs are unknown on a year to year basis and therefore not included in the future year's budgets.

#### NDR Reform

- 5.19 The NDR Reform budget for 2023/24 was the amount expected included within the local government settlement plus committed amounts carried forward from previous years that was to be funded from the earmarked reserves.
- 5.20 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.
- 5.21 The current balance on the earmarked NDR reserve is £472,000 with a forecast underspend in 2023/24 of £181,000, of which £18,000 would be transferred to the reserve, bringing the balance to £490,000.
- 5.22 The budget for 2024/25 onwards is the originally planned budget for the year included within the local government settlement.

#### Reserves

- 5.23 It is not expected that the use of reserves will be required to balance spend in 2024/25 and reserves at 31 March 2024 will remain at the maximum approved level of £239,000, after transferring the estimated surplus from 2023/24. 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 2023/24 estimated net expenditure of £4,779,000, this equates to a minimum general reserve of £119,000. The Board therefore has flexibility to use up to £120,000 to cushion the impact of inflation on its budget for 2024/25. Given the level of uncertainty over pay awards, the quantification of risk summarised in paragraph 5.24 below and the observations on balance of risk referred to in paragraph 3.1 the Board may consider it prudent to reduce the planned use of reserves.

### Risks

- 5.24 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.

<b>Risk</b>	<b>Para ref</b>	<b>Potential impact £000s</b>
Insufficient allowance for pay award (5% to 7% including oncosts)	5.4	81
Above average vacancy factor (5% to 10%)	5.6	159
Woodhill House relocation doesn't go ahead	5.8	46
ICT savings (realised in 2024/25)	5.11	150
<b>Total</b>		<b>436</b>

- 5.25 There are also risks arising from changing service requirements, which can also affect the financial requirements of the service.
- 5.26 The proposed 2024/25 Revenue Budget is shown in the Appendix. The proposed net expenditure budget is an increase of £137,000 from 2023/24, of which £114,000 is an increase in the core budget, and an increase of £23,000 in NDR Reform budget. After use of reserves, the total net increase in requisitions is £127,000 and is summarised below, separated into core budgets that are controlled by the Board, and the budget for the NDR Reform requirements.

<b>Budget movements 2024/25</b>	<b>£000s</b>
<b>Impact on core budget</b>	
<u>Increases</u>	
Staffing budget – 5% pay award, increments, travel	175
Reference books	4
Lead Authority Charge	3

Electoral Reform Grants reserves	27
Postages & ER Printing	104
Telephone	3
Specialist Services	1
<u>Decreases</u>	
Staffing budget – Vacancy management	(18)
Property Costs – inc. Woodhill House relocation savings	(6)
Repairs and Maintenance (2023/24 included provision for office move)	(16)
IT Maintenance and Support	(150)
<b>Net increase in core budget</b>	<b>127</b>
NDR reform – increase in staffing and travel costs	23
NDR reform use of reserves	(23)
<b>Total increase in requisitions from 2023/24 to 2024/25</b>	<b>127</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 2024/25 of £5,161,000.
- 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 £5,161,000 are an increase in the 2023/24 requisitions by £127,000 in total.

	Population	Requisition %	Proposed Requisition 2024/25 £	Requisition 2023/24 £	Increase on 2023/24 Requisition %
Aberdeen City	227,430	38.77	2,001,204	1,951,959	2.5
Aberdeenshire	262,690	44.79	2,311,464	2,254,585	2.5
Moray	96,410	16.44	848,332	827,456	2.5
<b>Total</b>	<b>586,530</b>	<b>100.00</b>	<b>5,161,000</b>	<b>5,034,000</b>	<b>2.5</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.**

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Background papers: Held within Accountancy Section, Moray Council  
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