



REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 4 FEBRUARY 2022

SUBJECT: FINANCIAL PLANNING FOR 2022/23 AND FUTURE YEARS

BY: TREASURER TO THE BOARD

1. REASON FOR REPORT

1.1 To consider the three year Revenue Budget from 2022/23 and to agree the requisitions for 2022/23 from the three constituent authorities.

2. RECOMMENDATIONS

2.1 It is recommended that the Board approves:

- (i)** Three year Revenue budget from 2022/23;
- (ii)** Requisitions to the constituent authorities for 2022/23 to be set at £4,749,000 as detailed in the table at paragraph 6.3;
- (iii)** The planned use of £147,000 from the NDR Reform reserve to cover spend in 2022/23.

2.2 It is recommended that the Board notes:

- (i)** The clarification of the reserves policy as detailed in paragraphs 5.18 - 5.24.

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 and accommodation
- The continuing pressures that the coronavirus outbreak has had on the operations of the organisation
- Implementation of NDR reform
- Increased level of valuation appeals

- Level of staff turnover/challenges in recruiting and retaining staff

3.2 At the Board meeting on 5 November 2021, 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 2% built into the draft budget figures. 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 identified. 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 2021, in a separate report to this Board meeting, considers the latest position on year to date variances and how they might impact next year's budget. These are discussed in more detail below and incorporated into the budget.

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 for 2022/23, and these have been shown in APPENDIX 1, alongside the core budget, to distinguish between movements in the current core budget.

5 **BUDGET 2022/23**

Salaries and Recruitment

5.1 Salaries and employers' on-costs make up approximately 73% of the net expenditure budget of the service. The Covid-19 pandemic intensified staffing pressures but recruitment is now underway again and successful appointments have recently been made at all levels.

5.2 An agreement was reached early in December 2021 on pay awards for employees, covering the period 1 April 2021 to 31 March 2022. The budget for 2021/22 included a provisional 2.5% pay award and the starting point for 2022/23 onwards has been revised to take account of the actual pay awards.

5.3 The budget for 2022/23 includes a 10% recruitment and vacancy adjustment in the budget, to incorporate an above average level of vacancies and the interval that arises between filling posts. This is the second year the vacancy factor has been set at 10% and has so far shown no issues. There is a risk associated with this concept, however, as the service aims to have a full staffing complement.

5.4 The impact of a range of possible pay awards was explained in November's financial planning report and is shown again in the table below. These figures are for core posts only, excluding the NDR posts, and are before any vacancy factor and National insurance increases have been included. The mid-point

assumption of 2% has been included in the indicative budget presented in Appendix 1.

Scenario	Impact on 2022/23 budget £000	Impact on 2023/24 budget £000	Impact on 2024/25 budget £000
1% pay award	37	38	38
2% pay award	74	76	78
5% pay award	190	196	206

Accommodation

- 5.5 The move to the new office suite within Woodhill House has been delayed and refurbishment works are yet to commence at the time of writing this report. The 2021/22 budget already includes part year savings for the new office accommodation. The move was later expected to take place early in 2022/23 and this was included in the proposed budget in November. It is now anticipated that the move, which would result in a reduced rental charge and associated costs for the service, will not happen until 2023/24 and so the accommodation budget has been reflected to show this, as the current rental and service charges will continue until the relocation; this means an increase in the planned budget for 2022/23. The table below shows the full year budgets between the current accommodation at Woodhill House (2022/23) and the relocated office from 2023/24 onwards.

Woodhill House budget	2022/23 £000	2023/24 £000	2024/25 £000
Rent	125	23	23
Service Charge	70	90	90
Rates	73	57	57
Refurbishment costs (one off)	-	18	-
Insurance	13	13	13
Water Charges	3	3	3
Total	284	204	186

- 5.6 The current terms will now result in a budget increase in 2022/23. It is hoped that savings in the following year can be realised.
- 5.7 The Banff office is also in need of general maintenance, including essential works to the exterior. Updated quotes are being obtained and will be reported to the Board in the near future. No budget has been built-in and so it is expected that if any works are carried out the spend can be absorbed within revenue budgets, or by utilising the general reserve.

IT and procurement

- 5.8 As reported in November, the Assessor has been working with Aberdeenshire Council with the prospect of moving to a Service Level Agreement where Aberdeenshire will provide ongoing IT support services to the Valuation Board and move to a cost per user basis. They have proposed an agreement for shared IT services using, where possible, existing Aberdeenshire infrastructure and provided costings for the board; £79,711 per annum with initial start-up costs of £45,750. Due to the phasing of the work there will be duplicate expenditure during 2022/23. This is necessary to safeguard and increase the resilience of the organisation, by being well prepared to mitigate the risks and severity of cyber attacks, and also ensuring business continuity.
- 5.9 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. The vacant IT Manager post will be removed from the establishment as a result of the change and other IT budget savings are currently being explored. As discussed in the budget monitoring report to this meeting of the Board, there is a possibility that start up costs could fall into the final months of 2021/22 but to be cautious the costs have been built into the 2022/23 budget. The financial implications are shown in the table below.

	2022/23 budget £000	2023/24 budget £000	2024/25 budget £000
Core ICT budget	219	219	219
System costs (annual)	80	80	80
Start up costs (one off)	46	-	-
Start up costs (contingency)	5	-	-
Savings (network costs, telecoms, support, licensing)	(12)	(85)	(85)
Total Core ICT budget	338	214	214

Other costs

- 5.10 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 will be an increased requirement for physical inspections during 2022/23 in preparation for the 2023 Revaluation and the associated NDR reforms. The proposed budget is therefore unchanged from 2021/22.

- 5.11 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.
- 5.12 There has been a significant increase in valuation appeals following the response to the pandemic. This creates additional workload for staff and also has cost implications. An underspend is forecast for 2021/22 but, given the uncertainty, it is proposed to leave the budget at its existing level.

Income from Grant Funding

- 5.13 The Cabinet Office has given the Board a total of £1,361,000 of funding for the implementation of Individual Electoral Registration (IER) during the years from 2014/15 to 2020/21. The Cabinet Office has previously confirmed that no further funding will be given and must be absorbed in core budgets.

NDR Reform

- 5.14 In the November financial planning report (paragraph 5.14) it was reported that the Scottish Government required any unspent/uncommitted NDR Reform funding for 2021/22 to be repaid. The budget for 2022/23 was the amount expected to be included within the local government settlement.
- 5.15 Following a review of all Assessors Barclay cost estimates, the total allocation for 2022/23 will now equal the gross amount requested by Assessors, adjusted for any forecast underspend in this current year. The Scottish Government therefore do not intend to request any refunds of 2021/22 underspends.
- 5.16 The total funding allocated to the three authorities in 2022/23 is £268,000 (Aberdeen City £104,000, Aberdeenshire £120,000, Moray £44,000) and this, along with £146,000 from the NDR Reform reserve will be the budget.
- 5.17 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 £143,000 with a forecast underspend in 2021/22 of £175,000.

Reserves

- 5.18 It was agreed by the Board at its meeting on 28 January 2011 (paragraph 4 of the Minute refers) 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.
- 5.19 In February 2020 members agreed to earmark the underspend on the 2019/20 budget for NDR Reform as an additional part of the General Fund.
- 5.20 In view of the fact that the earmarked NDR reserve is an additional part of the General Fund, and should be treated independently, it is clarified that the cumulative balance on the uncommitted part of the General Fund should be

calculated on the budget for the Joint Board's core costs alone and exclude budgets with a separate funding stream. If reserves are being used to support annual budgets in any year, the General Fund balance calculations will be based on the core net expenditure budget and not the budgeted requisitions figure.

- 5.21 The NDR reserve does not go by the same principles, given the nature of the Barclay funding by the Scottish Government.
- 5.22 The balance of the General Fund at 31 March 2021 was £235,000. It is not expected that any reserves will be required to balance core spend in 2022/23 and reserves at 31 March 2022 should be at the maximum approved level of £219,000 (5% of £4.407m core budget) meaning a refund to authorities of £16,000 to comply with the policy.
- 5.23 At its meeting on 20 March 2020 the Board approved that a minimum general reserve of 2.5% of estimated annual net expenditure would be maintained, due to the level of uncertainty over pay awards and the quantification of risk within the budget.
- 5.24 Based on the proposed 2022/23 estimated core net expenditure, currently the budget of £4.481 million, this equates to a minimum general reserve of £112,000. The Board therefore has flexibility to use up to £107,000 to cushion the impact of inflation on its budget for 2022/23.

Risks

- 5.25 Various financial risks have been identified throughout the report and are summarised here for ease of reference. It should be noted that the total risk identified exceeds the maximum general reserve permitted to be held.

Risk	Para ref	Potential impact £000s
Above average vacancy factor (5% to 10%)	5.3	180
Insufficient allowance for pay award (5%)	5.4	116
Woodhill House relocation doesn't go ahead in 2023/24	5.5	80
Total		376

- 5.26 There are also risks arising from changing service requirements, which can also affect the financial requirements of the service.
- 5.27 The proposed 2022/23 Revenue Budget is shown in Appendix 1. The proposed net expenditure budget is a decrease of £37,000 from 2021/22, of which £92,000 is an increase in the core budget, and a decrease of £129,000 in NDR Reform budget. By changing the process of NDR Reform funding next year, there is a net decrease in the total requisitions of £93,000, which is summarised

below, separated into core budgets that are controlled by the Board, and the budget for the NDR Reform requirements.

Budget movements 2022/23	£000s
Impact on core budget	
<u>Increases</u>	
Staffing budget – including pay awards, NI change	169
Training	3
Property Costs - inc Woodhill House relocation costs	57
Energy Costs – Banff Office	2
IT Maintenance and Support	119
<u>Decreases</u>	
Staffing budget – post savings, vacancy management factor increase	(80)
Net increase in core budget	92
NDR reform – reduction in staffing and travel costs	(17)
NDR reform – reduction in other costs	(112)
NDR reform – increase in use of reserves	(56)
Total decrease in requisitions from 2021/22 to 2022/23	(93)

6 REQUISITIONS

- 6.1 The table below shows the requisition for each constituent authority, in order to fund the Board’s revenue budget for 2022/23 of £4,749,000. The requisition includes the amount given to each authority for Barclay funding. This is a decrease of £102,000 from the November report, mainly due to the change in how the Board will receive Barclay funding.
- 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-2020.

6.3 The proposed requisitions of £4,749,000 are a decrease in the 2021/22 requisitions by £93,000 in total.

	Population	Requisition %	Proposed Requisition 2022/23 £	Requisition 2021/22 £	Decrease on 2021/22 Requisition £
Aberdeen City	229060	39.12%	1,857,750	1,890,317	1.72%
Aberdeenshire	260780	44.54%	2,115,010	2,159,532	2.06%
Moray	95710	16.35%	776,239	792,151	2.01%
Total	585,550	100	4,749,000	4,842,000	1.92%

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 in addition to giving up a senior post as a saving, 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.

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