



REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 26 AUGUST 2022

SUBJECT: UNAUDITED ANNUAL ACCOUNTS FOR 2021/22

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 2022.

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 2022.**

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.
- 3.3 The unaudited Annual Accounts for 2021/22 have been prepared in accordance with the Code of Practice on Local Authority Accounting, supported by International Financial Reporting Standards.

4. 2021/22 ANNUAL ACCOUNTS

- 4.1 Copies of the unaudited Annual Accounts for the year ended 31 March 2022 have been distributed with this report.
- 4.2 At the meeting on 5 February 2021, the Board agreed the Revenue Budget for 2021/22 (paragraph 4 of the Minute refers) of £4,933,000. The requisitions to constituent authorities were set at £4,842,000 with approved use of earmarked NDR reserves of £91,000.

- 4.3 The core budget was set at £4,389,000, with an additional £544,000 budgeted for NDR Reform.
- 4.4 The net expenditure for the year, as shown on Appendix 1, was £4,076,000 including Capital financed from revenue (CFCR), resulting in an underspend of £843,000. The budgeted use of reserves (£91,000) was not required and therefore the overall year end variance is £752,000.
- 4.5 The total underspend of £752,000 is split between the core budget (£487,000) and NDR Reform budget (£265,000).
- 4.6 The estimated outturn reported to the Board on 4 February 2022 was £811,000 of an underspend; a projected variance of £545,000 in the core budget and £266,000 in the NDR Reform budget. This final outturn and variances are discussed in more detail in paragraphs 5.1 to 5.13 below.

Reserves

- 4.7 The Board at its meeting on 28 January 2011 (paragraph 4 of the Minute 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.
- 4.8 In setting the 2021/22 Revenue Budget, the Treasurer clarified that the cumulative balance on the uncommitted part of the General Fund should be calculated on the core budget alone and exclude any separate budgets with earmarked funding i.e. the NDR reform budget.
- 4.9 Under the policy the maximum amount of the General Fund had been exceeded and therefore a transfer out of the General Fund was required to bring the balance from £235,000 to £219,000. This £16,000 is included in the refund to authorities.
- 4.10 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.
- 4.11 The budget for 2021/22 included a provision of £544,000 to meet the cost of preparations to deliver reforms to NDR following the Barclay review. As mentioned in paragraph 4.5 above, there was an underspend of £265,000 which has been year transferred to the earmarked reserve, bringing the balance to £408,000.
- 4.12 The total of the Usable Reserves £627,000 as shown in Note 16 to the Accounts is the balance of the General Reserve (£219,000) and the earmarked NDR portion (£408,000).

Refund to Authorities

- 4.13 Following the transfer out of the General Fund and into the NDR earmarked reserve, and the funding of capital from current revenue (CFCR) of £13,000 an anticipated £503,000 falls due to be returned to the constituent authorities. The confirmed audited amount will be reported at the first Board meeting after the audit work is complete. The split of the estimated refund between authorities is shown below:

2021/22 Proposed Surplus Refund to Authorities		
	%	£
Aberdeen City Council	39.04	196,310
Aberdeenshire Council	44.60	224,268
Moray Council	16.36	82,265
Total	100.00	502,843

Accounts 2021/22

- 4.14 The Comprehensive Income and Expenditure Account shows a deficit of £210,000 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 £439,000 for the total of superannuation contributions payable and an accrual for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward. The depreciation charge of £33,000 is removed and CFCR £13,000 added.
- 4.15 This results in the net transfer out of the General Fund of £16,000, and in to the NDR earmarked reserve of £265,000.
- 4.16 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.
- 4.17 The Usable Reserves show the reserves which members of the Board have control over: the General Reserve of £219,000 and the earmarked NDR Reserve of £408,000.
- 4.18 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.

5. VARIANCES

Significant Variances between Budget and Actual for 2021/22

- 5.1 The actual result for the year, set out in the usual budget monitoring format, forms **APPENDIX 1** to this report. The Appendix also gives a detailed analysis of the variance between the core budget and NDR Reform funding.
- 5.2 The significant variance in 2021/22 can be attributed to the ongoing pressures that the coronavirus pandemic has intensified for the operations of the service; mainly the recruitment of staff, the move to new accommodation within Woodhill House, and delays in progressing with NDR Reform. Also the unbudgeted use of £186,000 Scottish Parliament Election (SPE) funding that was carried forward and used to fund ongoing core expenditure.
- 5.3 Employee costs were under budget by £651,000, mainly due to vacancies and part vacancies throughout the year. Within this, £209,000 relates to the NDR Reform posts that remained vacant in the year due to existing recruitment challenges.
- 5.4 Property costs were over budget by £48,000 in total within the core budget. An overspend of £58,000 was anticipated given the relocation within Woodhill House did not go ahead as expected, and savings would not be achieved.
- 5.5 Transport costs were under budget by £5,000, of which £3,000 was NDR reform budget.
- 5.6 Supplies and Services were under budget in total by £45,000. Expenditure on postages varies considerably on a year by year basis and, this year, the issue of letters to households prior to the Scottish Local Government Elections in May 2022 was an additional cost but this was funded by the SPE grant funding carried forward from the previous year, shown under income.
- 5.7 IT budgets were under spent in the year, by £147,000, with the majority of the variance within NDR reform. This slippage accounts for part of the transfer to the earmarked reserve and will be spent in future periods.
- 5.8 Valuation appeal hearings were below budget this year by £21,000.
- 5.9 There were other minor variances in supplies and services.
- 5.10 Income received during the year was above budget by £193,000 in total; with the £186,000 SPE grant funding being the main reason.

Significant Variances between Forecast and Actual Variances for 2021/22

- 5.11 As explained in paragraph 4.5, the total underspend in 2021/22 was £752,000; core budget at £487,000 and NDR Reform budget at £265,000. This is compared to an estimated variance of £811,000 reported to the Board in February; being a core budget variance of £545,000 and NDR Reform of £266,000.

- 5.12 The main areas of difference between the forecast and the final outturn was on postage and Electoral Registration printing costs. An overspend of £83,000 was forecast but the actual year end figure was an overspend of £152,000, which was funded by the SPE grant.
- 5.13 In NDR reform, the latest projection reported in February was for £93,000 of the budgeted £143,000 ICT work to take place. This did not happen, with only £9,000 of spend against the budget heading. The use of the earmarked reserve was therefore not required in 2021/22 and remains available for use in the future.

6 CONCLUSION

- 6.1 The Board met the statutory deadline for the submission of the annual accounts to the External Auditor by 30 June 2022.
- 6.2 The Board generated a surplus of £752,000 for the year to 31 March 2022. It is anticipated that a total of £503,000 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:	