



REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 18 JUNE 2021

SUBJECT: UNAUDITED ANNUAL ACCOUNTS FOR 2020/21

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 2021.

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 2021.**

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 2020/21 have been prepared in accordance with the Code of Practice on Local Authority Accounting, supported by International Financial Reporting Standards.

4. 2020/21 ANNUAL ACCOUNTS

- 4.1 Copies of the unaudited Annual Accounts for the year ended 31 March 2021 have been distributed with this report.
- 4.2 At the meeting on 20 March 2020, the Board agreed the Revenue Budget for 2020/21 (paragraph 3 of the Minute refers) of £4,833,000 and approved that the requisitions to constituent authorities should be set at £4,703,000. The sum of £130,000 was allocated from the General Fund to balance the 2020/21 Revenue budget. The core budget was set at £4,469,000, with an additional £364,000 budgeted for NDR Reform.
- 4.3 The core budget was set at £4,469,000, with an additional £364,000 budgeted for NDR Reform.
- 4.4 The net expenditure for the year shown on Appendix 1 was £3,930,000. An amount of £364,000 was requisitioned from the constituent authorities for the NDR Reform budget Barclay Implementation, which was allocated to authorities as a redetermination on their general revenue grant. The Treasurer has recently been informed that any underspend by the assessors of the funding has to be transferred back to the Scottish Government. Actual expenditure of £65,000 was incurred during the year with a further £52,000 of committed spend that slipped due to Covid-19. Provision for the repayment of the balance of £247,000 has been included in the accounts and is shown as a credit on the requisitions line which now show below the budget.
- 4.5 The total underspend in 2020/21 was £526,000. This is split across the core budget at £445,000 and NDR Reform budget at £52,000. The Scottish Parliament Election 2021 (SPE) expenditure was fully funded by grant funding which includes the £29,000 shown on the Appendix for capital spend. The estimated outturn reported to the Board on 5 February 2021 was £747,000 of an under spend; a £426,000 variance in the core budget and £321,000 in the NDR Reform budget. This final outturn and variances are discussed in more detail in paragraphs 4.16 to 4.25 below.
- 4.6 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 2020/21 is £12,000, increasing the balance of the fund from £223,000 to £235,000.
- 4.7 The budget for 2020/21 included a provision of £364,000 to meet the cost of preparations to deliver reforms to NDR following the Barclay review. As mentioned in paragraph 4.4 above, there was an underspend of £247,000 this year and this will be transferred back to the Scottish Government.
- 4.8 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. The current balance of £143,000 is from the opening balance of £91,000 plus the £52,000 of committed spend.

4.9 The total of the Usable Reserves £378,000 is the balance of the General Reserve (£235,000) and the earmarked NDR portion (£143,000), as shown in Note 16 to the Accounts.

4.10 Following the transfer to the General Fund and earmarked reserve, and the funding of capital from current revenue of £48,000 (£29,000 from SPE funding and £19,000 from core budget) an anticipated £414,000 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 between authorities is shown below:

2020/21 Proposed Surplus Refund to Authorities		
	%	£
Aberdeen City Council	39.04	161,674
Aberdeenshire Council	44.60	184,699
Moray Council	16.36	67,750
Total	100.00	414,123

4.11 The Comprehensive Income and Expenditure Account shows a deficit of £272,000 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 £354,000 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 £30,000 is removed and CFCR £48,000 added..

4.12 This results in the net transfer to the General Fund of £12,000, and the NDR earmarked portion of £52,000.

4.13 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.

4.14 The Usable Reserves show the reserves which members of the Board have control over: the General Reserve of £235,000 and the earmarked NDR Reserve of £143,000.

4.15 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 2020/21

- 4.16 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, the Scottish Parliament Election 2021 (SPE) and NDR Reform funding.
- 4.17 Prior to the Scottish Parliament Election (SPE) in May 2021, the Scottish Government awarded £321,000 in funding for additional costs expected as a result of an increase in postal votes. The funding came to Moray Council and was allocated to the assessor when actual spend was incurred, which was £105,000 of revenue and £29,000 of capital. The balance is in a Council earmarked reserve for further spend in 2021/22.
- 4.18 Employee costs were under budget by £651,000, mainly due to vacancies and part vacancies throughout the year. A significant element of vacancies is the NDR Reform posts that remained vacant in the year due to existing recruitment challenges that were further intensified by Covid-19.
- 4.19 Property costs were under budget by £2,000 in total.
- 4.20 Transport costs were under budget by £34,000 due to the pandemic restrictions. As reported previously, the introduction of a new facility allows ERA's to contact by telephone in the first instance, which saves time and travel requirement.
- 4.21 Supplies and Services were over budget in total by £144,000. Expenditure on postages varies considerably on a year by year basis and, this year, the issue of Household Notification Letters (HNL) was a cost not planned for during the budget setting process. The Scottish Government agreed to fund the cost of the HNLs as it represents a significant additional cost, and a grant of £121,000 was claimed.
- 4.22 IT budgets were under spent in the year, by £14,000. £10,000 of the variance makes up part of the year end transfer of committed spend to the NDR earmarked reserve.
- 4.23 Valuation appeal hearings were below budget this year by £10,000.
- 4.24 There were other minor variances in supplies and services.
- 4.25 Income received during the year was above budget by £366,000 in total; the majority of it due to £337,000 of government grant funding that the assessor wasn't aware of when setting the annual budget. The service subsequently received government grant funding for Individual Electoral Registration (IER) of £34,000. A sum of £31,000 was received from the Scottish Government for full reimbursement of changes to the Elections Management System. The

expenditure is shown within IT costs, and the grant is within income. £46,000 was allocated for the additional costs in processing foreign voters applications, and the £121,000 was received for HNLs, as explained in para 4.21. The SPE funding of £134,000 was also received (para 4.17). In order to balance the budget it was approved that £130,000 would be used from the General Fund. This additional funding through the year meant the planned use of reserves was not required.

Significant Variances between Forecast and Actual Variances for 2020/21

- 4.26 As explained in paragraph 4.5, the total underspend in 2020/21 was £526,000; core budget at £445,000, NDR Reform budget at £52,000 and SPE budget at £29,000. This is compared to an estimated variance of £747,000 reported to the Board in February; being a core budget variance of £426,000 and NDR Reform of £321,000.
- 4.27 The main areas of difference in the core budget is staffing, which finished with a higher underspend than was anticipated. ICT was expected to be overspent at estimated actual time but by year end the variance wasn't as high as expected. Additional grant funding was also received that wasn't expected at the time of the last Board meeting.
- 4.28 The variance in the NDR Reform budget is the return of the unspent Barclay funding. It was anticipated this could be carried forward in the earmarked reserve, but has been returned to the Scottish Government.

5. CONCLUSION

- 5.1 The Board met the statutory deadline for the submission of the annual accounts to the External Audit by 30 June 2021.
- 5.2 The Board generated a surplus of £526,000 for the year to 31 March 2021. It is anticipated that a total of £414,000 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:	