

# Report

Report to:	<b>Lanarkshire Valuation Joint Board</b>
Date of Meeting:	<b>7 December 2020</b>
Report by:	<b>Treasurer to Lanarkshire Valuation Joint Board</b>

Subject:	<b>Revenue Budget 2021/2022 – Lanarkshire Valuation Joint Board</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise members of the draft budget for the coming financial year (2021/2022)

## 2. Recommendation(s)

2.1. The Board is asked to approve the following recommendation(s):-

- (1) that the budget strategy resulting in the budget of £3.835 million being set for 2021/2022, summarised in Table 1, be approved;
- (2) that the position on Barclay spend and funding (section 4.6), be noted;
- (3) that the Requisition Payments be reviewed following receipt of the Local Government Finance Settlement, as detailed at section 4.8 be noted; and
- (4) that the Reserves position across year, detailed in Table 2, be noted.

## 3. Background

- 3.1. On 5 March 2018, a Financial Strategy for 2019/2020 to 2021/2022 was presented to the Board. Due to the time elapsed since then, a revised Budget Strategy is required for 2021/2022.
- 3.2. The Board has an approved Expenditure Budget of £4.283 million for the current year, 2020/2021.
- 3.3. In relation to the Board's budget strategy for 2021/2022, the continued increase in workload across all three key business areas of the Board (Non Domestic Valuation, Council Tax Valuation and Electoral Registration) mean that ways of maintaining service delivery and compliance with statutory duties of the Assessor and Electoral Registration Officer, against a backdrop of budgetary pressures, continue to be reviewed.
- 3.4. Following the 2020/2021 probable outturn exercise, also presented to this meeting, a balance of £0.140 million is anticipated to be transferred to Reserves and is then available for future years' budgets. Adding this to the Reserves carried forward from the previous financial year (£0.947 million) will mean a balance on Reserves of £1.087 million for use in 2021/2022 and beyond.

- 3.5. This paper will provide a reminder of the Budget Assumptions used in the preparation of the Medium Term Budget Strategy which included 2021/2022 and will provide detail of the revised assumptions in proposing the budget for 2021/2022 (section 4). Section 5 will highlight further areas for members' consideration regarding the position beyond 2021/2022.

#### **4. 2021/2022 Budget Assumptions**

- 4.1. A number of expenditure and income assumptions were taken into account in establishing the 2019/2020 to 2021/2022 Financial Strategy for the Board. This proposed a budget of £4.108 million. The assumptions for 2021/2022, as at March 2018, are detailed in Appendix 1 for reference.
- 4.2. Since the Strategy was set in 2018, considerable time has elapsed and a number of external influences have also impacted on the Board's Budget. For example, the multi-year Pay Award was settled at a cost to the Board of £0.175 million, increasing their base budget to £4.283 million. In addition, recommendations from the Barclay Review are also being implemented, and early achievement of efficiency savings have resulted in an improved Reserves position. A refresh of the previous assumptions is, therefore, required and each is taken in turn.
- 4.3. **Pay Award:** The Strategy set in March 2018 assumed a pay award for each of the 3 years, including 2021/2022. For 2021/2022, it is assumed that the pay award will cost the Board £0.050m. There is no allowance included for annual increments and competency initiative rises as it is anticipated that these will be managed through turnover of staff.
- 4.4. **Canvass Reform:** The Canvass Reform in 2020 has resulted in the number of households to be canvassed being reduced significantly. This will result in a reduction to costs incurred by the Board and a reduction in the Individual Electoral Registration (IER) funding received from the Cabinet Office for 2021/2022. The cost savings will be evident in Temporary Canvassers (£0.143m) and Administration costs (£0.149m) and will be offset by reduced income (£0.292m).
- 4.5. **Administration and Operations Saving:** Savings in relation to administration and operational costs have been made totalling £0.118m. The projected savings effectively to each local authority, compared to current administration and operations costs is £0.059 million. The saving is offset by a reduction in Requisition payments (£0.118 million).
- 4.6. **Barclay Review:** Scottish Government funding totalling £0.594 million was allocated to North and South Lanarkshire Councils in 2020/2021, for onward transfer to the Board. It is expected that as the recommendations of the Barclay report are implemented, costs will continue to rise. There is a level of uncertainty regarding the funding of the Barclay recommendations moving forward as no allocation has been confirmed. As such, no funding has been assumed for 2021/2022. When notification of funding is received, the budget will be updated accordingly.
- 4.7. **Requisition Payments:** The original strategy for 2021/2022 (agreed by the Board in March 2018) included the increased Requisition Payments of £0.170 million carried on into 2021/2022. However, as the Board's Reserves position has since improved, and the increase in requisitions has not been required, it is proposed that the Requisition payments be reduced by £0.170 million in the short term, for 2021/2022 and 2022/2023 only. This is detailed further in section 5.

- 4.8. The proposed budget (presented in table 1) is at present based on an assumption that there will be a 1% reduction in the grant funding provided to the constituent authorities by the Scottish Government. A 1% cut in Requisition Payments would equate to £0.038 million and the LVJB would require to make efficiencies against core budget as a result. If the level of grant settlement (expected by February 2021) does not reflect that level of reduction, the Treasurer commits to reviewing the requisition to take that fact into account. This may lead to a further minor adjustment in the budget and requisitions payable by both Councils. This would be reported to the March meeting of the Board.
- 4.9. Based on the assumptions in section 4, Table 1 summarises the movement from the 2020/2021 base budget to the 2021/2022 budget. It also details the Funding Package including the use of Reserves, but leaves a shortfall of £0.097 million. It is proposed that this is balanced by making efficiencies.

**Table 1 – Movement in Budget from 2020/2021 to 2021/2022**

	£m	£m
<b>2021/2022 Base Budget (rolled forward from 2020/2021)</b>		<b>4.283</b>
<b>Expenditure Increases:</b>		
<u>Employee Costs</u>		
Pay Award	0.050	
Temporary Canvassers – Canvass Reform	(0.143)	
<u>Property Costs</u>		
Administration and Operations Saving	(0.118)	
<u>Administration Costs</u>		
Printing and Stationery – Canvass Reform	(0.076)	
Postages – Canvass Reform	(0.073)	
Postages – Price Increases	0.006	
Central Support – Price Increases	0.003	(0.351)
<b>2021/2022 Expenditure Budget</b>		<b>3.932</b>
<b>Funded By:</b>		
2021/22 Requisitions (sections 4.7 to 4.8)		(3.470)
2021/22 IER Funding from Cabinet Office (section 4.4)		(0.020)
2021/22 Use of Reserves		(0.345)
<b>2021/2022 Income Budget</b>		<b>3.835</b>
<b>2021/2022 Net Expenditure Budget</b>		<b>0.097</b>
<b>To be Managed by:</b>		
Efficiencies/Savings to be identified across the Budget		(0.097)

- 4.10. As noted in Table 1, Reserves of £0.345 million are being used in 2021/2022. This would leave £0.742 million for future years, excluding any future Barclay funding.
- 4.11. Movement in the budget from 2020/2021 to 2021/2022 is detailed in Appendix 2.

## 5. Beyond 2021/2022

- 5.1. Following the 2020/2021 Probable Outturn and the increased use of Reserves for the 2021/2022 Budget Strategy (in Table 1), it is anticipated that there will be a balance of £0.742 million in Reserves at the end of 2021/2022. This is shown in Table 2 and reflects the fact that Reserves have increased through underspends in recent years. Table 2 also shows the impact of the temporary increased use of Reserves in 2021/2022 and 2022/2023 to cover reduced Requisitions in those two years only (proposed in section 4.7). The higher Requisitions will be reinstated in 2023/2024.

**Table 2 – Reserves Position**

	<b>2020/2021 £m</b>	<b>2021/2022 £m</b>	<b>2022/2023 £m</b>	<b>2023/2024 £m</b>
Opening Balance	0.947	1.087	0.742	0.397
Proposed Transfer to Reserves / (Utilisation of Reserves)	0.140	(0.345)	(0.345)	(0.175)
<b>Closing Balance</b>	<b>1.087</b>	<b>0.742</b>	<b>0.397</b>	<b>0.222</b>

- 5.2. In adopting this strategy, there are still Reserves available into 2024/2025 (£0.222m). Reliance on the use of Reserves is not long-term, and the Board will require to make efficiency savings over the next three years, to cover the use of Reserves (£0.175m) after 2023/2024.

## 6. Employee Implications

- 6.1. There are no direct employee implications contained within this report.

## 7. Financial Implications

- 7.1. The proposed 2021/2022 Revenue Budget for the Valuation Board is £3.835 million.
- 7.2. This budget assumes a contribution of £0.345 million from Reserves held in the balance sheet and also efficiencies to balance the budget (£0.097m).
- 7.3. The Reserves balance is expected to be £1.087 million at the end of 2020/2021, as detailed in the Revenue Budget Monitoring and Probable Outturn Position 2020/2021 report, also presented to this meeting.

## 8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no climate change, sustainability or environmental implications in terms of the information contained in this report.

## 9. Other Implications

- 9.1. The main risk in setting this budget is that there is no additional Barclay funding and that the level of expenditure cannot be managed within the budget set. On behalf of the Board, the Treasurer continues to have dialogue with the Scottish Government via COSLA, to confirm funding and spend expectations.
- 9.2. There is also a risk that the residual IER funding from the Cabinet Office does not materialise. Discussions with the Cabinet Office will continue in order to seek clarification of funding levels, and the mechanism for providing such funding, to adequately address the additional costs associated with IER.

- 9.3. An additional risk associated with the Valuation Board's Revenue Budget into 2021/2022 is an overspend as a result of the increased workload across the three main service delivery areas. The risk is managed through four weekly Budget Monitoring Meetings at which any variance is analysed. In addition, the probable outturn exercise ensures early warning for corrective action to be taken where appropriate.

**10. Equality Impact Assessment and Consultation Arrangements**

- 10.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 10.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

**Paul Manning**  
**Treasurer**

10 November 2020

**Previous References**

- ◆ Financial Strategy 2019/20 to 2021/22 and Longer Term Outlook – 5 March 2018

**List of Background Papers**

- ◆ None

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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**Original Budget Strategy – as at March 2018  
(Expenditure, Efficiencies and Income)**

**Expenditure**

- **Employee Costs (increase of £0.099m)** The increase reflects the anticipated pay award, annual increments and competency initiative rises for those staff progressing through their qualifications and an increase for temporary canvassers.
- **Administration Costs (increase of £0.009m)** The increase reflects inflationary increases in Central Administration (£0.003m), reflecting Information Technology costs, Postages (£0.006m).

**Efficiencies/Savings**

- These areas of additional spend are offset by £0.108m of efficiencies/savings identified by the Assessor and Electoral Registration Officer, in an effort to minimise the impact on the budget. The main elements are noted below:
- **Employee Costs (decrease of £0.108m)** The reduction in employee costs reflects the removal of vacant posts as well as the recruitment of trainee valuation staff / technicians in place of qualified valuation staff. It also assumes a level of turnover.

**Income**

- **IER Funding from Cabinet Office** Funding for IER has been received from the Cabinet Office in years 2013/14 to 2018/19. While no indicative allocations have been provided for 2019/20, it has been assumed that the funding levels for IER will be similar to those provided in 2018/19 (£0.312m) which includes core funds and additional money received through a bid mechanism. This is the same level as 2018/19, and is based on the 2017/18 actual figure. This covers ongoing IER expenditure in Employee Costs for temporary canvassers and in Administration Costs for postage, printing and stationery.
- IER is now assumed as mainline income/expenditure moving forward albeit with no long term confirmation of income from the Cabinet Office. This is an area of budget risk.
- **Council Requisition Payments** The 2021/2022 budget is based on an increase in requisition payments of £0.170m carried on from the previous 2 years. This strategy was approved by the Board in March 2018.

## Lanarkshire Valuation Joint Board

## Revenue Budget 2021/2022

Description	2020/21 Base Budget £m	2021/22 Required Budget £m	Budget Movement (Inc) / Dec £m
Employee Costs	3.012	2.822	(0.190)
Property Costs	0.325	0.207	(0.118)
Supplies and Services	0.081	0.081	0.000
Administration Costs	0.836	0.696	(0.140)
Payments to Other Bodies	0.022	0.022	0.000
Financing Charges	0.014	0.014	0.000
<b>Gross Expenditure</b>	<b>4.290</b>	<b>3.842</b>	<b>(0.448)</b>
Income	(0.007)	(0.007)	0.000
<b>Net Expenditure</b>	<b>4.283</b>	<b>3.835</b>	<b>(0.448)</b>
<b>Net Expenditure Budget Funded by :</b>			
Requisition from North Lanarkshire Council	(1.898)	(1.735)	0.163
Requisition from South Lanarkshire Council	(1.898)	(1.735)	0.163
IER Funding – Cabinet Office	(0.312)	(0.020)	0.292
Use of Monies held in Balance Sheet (c/f from previous years)	(0.175)	(0.345)	(0.170)
<b>Net Budget</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>