

Report

Report to:	Lanarkshire Valuation Joint Board
Date of Meeting:	4 December 2023
Report by:	Treasurer to Lanarkshire Valuation Joint Board

Subject:	Revenue Budget 2024/2025 – Lanarkshire Valuation Joint Board
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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 (2024/2025)

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 £4.008 million being set for 2024/2025, summarised in Appendix 1, be approved; and
- (2) that the updated Reserves position, detailed in Table 2, be noted.

3. Background

- 3.1. A Financial Strategy for 2023/2024 to 2025/2026 was approved by the Board on 27 June 2022, and was updated in December 2022 to reflect changes in assumptions for the pay award and the transfer of the Valuation Appeal Panel to the Scottish Courts Service. This report set out a position for 2024/2025. This paper will take the opportunity to review these assumptions and formally propose the Board's Revenue Budget for 2024/2025.
- 3.2. In relation to the Board's Budget Strategy, the workload across all 3 key business areas of the Board (Non-Domestic Valuation, Council Tax Valuation and Electoral Registration) means 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 and are reflected in the proposals in this paper.
- 3.3. Following the 2023/2024 probable outturn exercise, also presented to this meeting, a balance of £0.120 million is anticipated to be transferred to Reserves at the end of this financial year. This will be added to the Reserves carried forward from the previous financial year (£1.721 million, reported to the Board in June 2023) and will mean a balance on Reserves of £1.841 million for use in 2024/2025 and beyond. This updates the previously reported position to the Board in December 2022.
- 3.4. Section 4 provides a reminder of the 2024/2025 Budget Strategy approved as part of the Medium-Term Financial Strategy, and an update on the assumptions used. It also includes a refresh on the level of Reserves available for 2024/2025 and beyond.

4. 2023/2024 Budget Assumptions

- 4.1. The Board's Financial Strategy (June 2022) was updated as part of the Budget process for 2023/2024 (December 2022). The December paper also set out a draft budget for 2024/2025 of £4.345 million. This included the use of £0.422 million of Reserves and was based on the following assumptions:-
- ◆ that the Employee Cost Budget reflects the progression of staff through pay grades, in line with agreed pay structures
 - ◆ that price increases, pay awards and an estimated 1% reduction in contributions are managed by efficiencies generated by the Board in each year
 - ◆ that the budget includes a staff turnover target of 4% per annum (based on prior years' experience this is considered realistic)
 - ◆ that the pay award is budgeted at 1% for 2024/2025 and beyond. Pay Award was noted as an area of risk (refer 4.2)
 - ◆ that the Barclay funding is assumed at the same level as 2023/2024, as no information is known beyond that year
 - ◆ that this position may be affected by further in-year underspends that have not yet been foreseen

2024/2025 Updated Assumptions

- 4.2. **Pay Award (2023/2024 and 2024/2025):** Since this Strategy was approved, the pay award for 2023/2024 has been confirmed at a level higher than the 2% budgeted for 2023/2024. The increased Pay Award for 2023/2024 will be managed through underspends in-year, however, this will need to be addressed in the Budget for 2024/2025. Taking the higher level for 2023/2024 and an assumed level for 2024/2025 would mean an additional annual budget of £0.190 million is required into 2024/2025. As noted above, the draft Budget assumes that the Pay Award is funded by efficiencies, therefore, having no impact on the Budget overall. The Budget proposed is for full establishment for the year and assumes no turnover saving, on the basis that the Assessor is actively recruiting all vacant posts in order to fulfil his duties.
- 4.3. **Pension Contributions:** In September, councils were informed that the recent valuation of Strathclyde Pension Fund resulted in the reduction of Employer Pension Contributions from their current levels. Instead of the current contribution of 19.3%, there will be a reduction in the contribution rates to 6.5% for 2024/2025 and 2025/2026, rising back up to 17.5% in 2026/2027. The proposed Budget for 2024/2025 assumes that the same reduction will apply to the Board's Pension Contributions.
- 4.4. The financial impact of this is a reduction in cost of £0.320 million in each of the years 2024/2025 and 2025/2026. The new rates mean the Board will temporarily spend £0.320 million less on pension payments than is currently assumed for 2024/2025 and 2025/2026, with a permanent saving of £0.040 million from 2026/2027. The proposed Budget includes the reduction in pension Contributions, and also assumes that this is offset by a reduction in councils' Requisition Payments.
- 4.5. The impact of the 2023/2024 Pay Award (confirmed), the 2024/2025 Pay Award (assumed), and the reduction in Pension Contributions for 2024/2025 is presented in Appendix 1 as a proposed Budget for 2024/2025. This revises the budget for 2024/2025 to £4.008 million.

5. Reserves

- 5.1. The Board's Strategy revised in December 2022 included the position across the Board's Reserves. This is shown in Table 1 and shows that the Board anticipated a balance of Reserves of £0.353 million at the end of 2025/2026.

Table 1 – Reserves Forecast and Strategy – December 2022

	2022/23 (year 0) £m	2023/24 (year 1) £m	2024/25 (year 2) £m	2025/26 (year 3) £m
Opening Balance	1.479	1.540	1.268	0.846
Proposed Utilisation of Reserves	0.061	(0.272)	(0.422)	(0.493)
Closing Balance	1.540	1.268	0.846	0.353

- 5.2. However, the Reserves position in Table 1 needs to be updated to reflect the additional Reserves available following favourable 2022/2023 Year-End position (section 3.3), as well as the probable outturn report also presented to this meeting of the Board (section 3.3).
- 5.3. Table 2 updates the impact on Reserves across 2024/2025 and 2025/2026 (the years of the Strategy). It shows that by applying the principles noted in 4.1, the revised assumptions (from section 4.2 onwards) and the updated availability and use of Reserves, the Board would now have a balance of £0.970 million at the end of 2025/2026.

Table 2 – Reserves Forecast and Strategy – Revised December 2023

	2022/23 (year 0) £m	2023/24 (year 1) £m	2024/25 (year 2) £m	2025/26 (year 3) £m
Opening Balance	1.479	1.721	1.841	1.441
Proposed Utilisation of Reserves	0.242	0.120	(0.400)	(0.471)
Closing Balance	1.721	1.841	1.441	0.970

- 5.4. This position is after a reduction in the councils' contributions of £0.400 million in 2024/2025, and significantly, the reduction in requisitions to reflect lower Pension Contributions (section 4.4). This still represents a significant reserve balance. The reason it is considered appropriate to work towards holding this level of reserve relates to a risk that funding for Barclay may not be recurring.
- 5.5. Beyond 2025/2026, the Board will require to cover the risk of the Barclay funding being reduced or removed. Therefore, a £0.970 million balance of reserves is considered appropriate to mitigate this risk and manage any reduction in Budget across a two-year period.
- 5.6. In 2025/2026, there is still a reliance on reserves (£0.471 million). As advised to the Board in June 2022, we will undertake a review of this reliance in the last year of the Strategy (2025/2026). This will be presented to the Board as required.
- 5.7. There is no prescribed minimum or maximum level of Reserves which should be held by a Joint Board. However, it is appropriate that the Board hold some monies in reserve which can be utilised as and when the need arises in any financial year. To facilitate this, notwithstanding the position as detailed in Table 2/Appendix 1, any underspends which may arise in year, will be transferred to Reserves at the end of the financial year. This gives the Board flexibility in managing its budget across years.

- 5.8. As a body that is funded by contributions from councils under the direction of the Board, the Board will manage its budget in year with any risk items identified to the Treasurer as required. Any budget pressures and funding solution would be considered by the Assessor and Electoral Registration Officer and the Treasurer.

6. Employee Implications

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

7. Financial Implications

- 7.1. The proposed 2024/2025 Revenue Budget for the Valuation Board is £4.008 million.
- 7.2. This budget assumes a contribution of £0.400 million from Reserves held in the balance sheet.
- 7.3. The Reserves balance is expected to be £1.841 million at the end of 2023/2024, as detailed in the Revenue Budget Monitoring and Probable Outturn Position 2023/2024 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. An additional risk associated with the Valuation Board's Revenue Budget into 2024/2025 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

16 November 2023

Previous References

- ◆ Revenue Budget 2023/2024 – Lanarkshire Valuation Joint Board – 5 December 2022
- ◆ Financial Strategy 2023/2024 to 2025/2026 – Lanarkshire Valuation Joint Board – 27 June 2022

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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Lanarkshire Valuation Joint Board

Revenue Budget 2024/2025

Description	2023/2024 Base Budget	2024/2025 Required Budget	Budget Movement (Inc) / Dec
	£m	£m	£m
Employee Costs	3.258	2.984	0.274
Property Costs	0.208	0.202	0.006
Supplies and Services	0.159	0.159	-
Transport and Plant	0.000	0.005	(0.005)
Administration Costs *	0.628	0.632	(0.004)
Payments to Other Bodies	0.031	0.031	-
Financing Charges	0.013	0.013	-
Gross Expenditure	4.297	4.026	0.271
Income	(0.017)	(0.018)	0.001
Net Expenditure	4.280	4.008	0.272
Net Expenditure Budget Funded by:			
Requisition from North Lanarkshire Council *	2.004	1.804	0.200
Requisition from South Lanarkshire Council *	2.004	1.804	0.200
Use of Monies held in Balance Sheet (c/f from previous years)	0.272	0.400	(0.128)
Net Budget	0.000	0.000	0.272

* The 2023/2024 Base Budget has been revised to reduce the Expenditure Budget (Administration Costs) and Requisition Income from both councils, to reflect the transfer of the Valuation Appeal Panel function to the Scottish Courts Service (£0.112m).