

Report

Report to:	Lanarkshire Valuation Joint Board
Date of Meeting:	6 December 2021
Report by:	Treasurer to Lanarkshire Valuation Joint Board

Subject:	Revenue Budget 2022/2023 – 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 (2022/2023)

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 £3.665 million being set for 2022/2023, summarised in Table 1, be approved;
- (2) that the position on Barclay spend and funding (section 4.13), be noted;
- (3) that it be noted that the 2022/2023 Requisition Payments will be reviewed following receipt of the Local Government Finance Settlement, as detailed at section 4.9; and
- (4) that it be noted that a Budget Strategy for 2023/2024 to 2025/2026 will be presented to the Board in March 2022, including the Reserves position (section 5.3).

3. Background

- 3.1. The Board has an approved Expenditure Budget of £3.835 million for the current year, 2021/2022. This will form the basis of the Budget preparations for 2022/2023 and provide a timeline for an updated medium-term Strategy for the years 2023/2024 to 2025/2026.
- 3.2. In relation to the Board's budget strategy, 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 and are reflected in the proposals in this paper.
- 3.3. Following the 2021/2022 probable outturn exercise, also presented to this meeting, a balance of £0.021 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 (£1.127 million) which will mean a balance on Reserves of £1.148 million for use in 2022/2023 and beyond.

- 3.4. This paper will provide details of the proposed budget for 2022/2023 (section 4) and moving forward, will propose a timeline for the medium-term strategy for 2023/2024 to 2025/2026 (section 5).

4. 2022/2023 Budget Assumptions

- 4.1. The Board's budget for 2021/2022 was approved by the Board on 7 December 2020. This budget excluded the additional funding provided for the implementation of the Barclay Review and related spend and will be the starting point for the 2022/2023 Budget.
- 4.2. The budget assumptions for 2022/2023 are detailed below and summarised in Table 1.
- 4.3. **Employee Costs:** The proposed employee cost budget for 2022/2023 includes an assumption of increases for pay award and related pay costs. There is no increase assumed for the changes to the Employers' NI Contributions as it is assumed that this will be Government funded (estimated at £0.024 million).
- 4.4. As has been advised previously, recruitment and retention of qualified valuers has been difficult for the Board. To maintain the number of Valuation employees required to carry out the workload, the Board has employed a number of Trainee Valuers and Trainee Technicians. These are at a lower grade than qualified staff. Based on the current number of employees and importantly, their pay grades, there is the ability to reduce the employee cost budget in 2022/2023 to reflect the current establishment. Moving forward, the employee cost budget will need to increase to reflect their progression through the pay scales commensurate with their experience and qualifications.
- 4.5. **Property Costs:** Savings in relation to administration and operational costs have been made totalling £0.005 million.
- 4.6. **Administration Costs:** For 2022/2023, the budget is increased by £0.040 million to take account of price increases. In the main, this reflects the increase in postage costs.
- 4.7. **Income:** A change in the cost calculation of the sale of Electoral Registers has allowed an increase to the income budget of £0.011 million.
- 4.8. **Requisition Payments:** Due to the positive position of the Board's Reserves, it was agreed in December 2020 that the Requisition Payments be reduced by £0.170 million in the short term, for 2021/2022 and 2022/2023 only. The £0.170 million reduction is reflected in the 2022/2023 budget.
- 4.9. The Board's lead authority is assuming a 1% reduction in the grant funding provided to the constituent authorities by the Scottish Government. Assuming the same 1% reduction in Requisition Payments would equate to £0.035 million. This is assumed in the 2022/2023 Budget. If the level of grant settlement (expected late December 2021) does not reflect that level of reduction, the Treasurer commits to reviewing the requisition to take that 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 2022 meeting of the Board.

- 4.10. Based on the assumptions in section 4, Table 1 summarises the movement from the 2021/2022 base budget to the 2022/2023 budget. It also details the Funding Package including the use of Reserves.

Table 1 – Movement in Budget from 2021/2022 to 2022/2023

	£m	£m
2022/2023 Base Budget (rolled forward from 2021/2022)		3.835
Expenditure Increases / (Decreases):		
<u>Employee Costs</u>		
Pay Award / PDR Increases / Increments (<i>section 4.3</i>)	0.093	
Employee Cost Realignment (<i>section 4.4</i>)	(0.287)	
<u>Property Costs</u>		
Administration and Operations Saving (<i>section 4.6</i>)	(0.005)	
<u>Administration Costs</u> (<i>section 4.6</i>)		
Printing and Stationery	0.005	
Postages	0.027	
Subscriptions	0.004	
Training	0.001	
Central Support	0.003	
Income (Increase) / Decrease:		
Sales (<i>section 7</i>)	(0.011)	(0.170)
2022/2023 Expenditure Budget		3.665
Funded By:		
2022/23 Requisitions (<i>sections 4.8 and 4.9</i>)		(3.472)
2022/23 Use of Reserves		(0.193)
2022/2023 Income Budget		3.665

- 4.11. As noted in Table 1, Reserves of £0.193 million are being used in 2022/2023. This would leave £0.955 million for future years, excluding any future Barclay funding or Barclay related spend.
- 4.12. Movement in the budget from 2021/2022 to 2022/2023 is detailed in Appendix 1.
- 4.13. **Barclay Review:** Scottish Government Barclay funding totalling £0.704 million was allocated to North and South Lanarkshire Councils in 2021/2022, for onward transfer to the Board. It is expected that as the recommendations of the Barclay report continue to be 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 or spend has been assumed for 2022/2023. When notification of funding is received, the expenditure and income budget will be updated accordingly.

5. Medium Term Financial Strategy

- 5.1. A medium-term financial strategy for 2020/2021 to 2022/2023 was presented to the Board in December 2020.

- 5.2. This detailed the planned approach to managing the Board's budget over the coming years and explained the planned use of Reserves until end 2023/2024. This left a balance of £0.222 million at the end of the Strategy period (2023/2024) and was based on using £0.175 million of Reserves in that final year. It was acknowledged that reliance on the use of Reserves is not long-term, and the Board were required to make efficiency savings of £0.175 million by 2023/2024 to offset the use of Reserves.
- 5.3. Following the completion of the Accounts for 2020/2021, and the Budget / Probable Outturn for 2021/2022 included in these papers, there is a change to the anticipated Reserves balance at the end of 2021/2022 – an increase of £0.328 million. In addition, a realignment of the budget for employee costs is anticipated which will impact on the use of Reserves previously reported. To that end, a refreshed medium-term financial strategy covering 2023/2024 to 2025/2026 will be reported to the Board in March 2022.

6. Employee Implications

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

7. Financial Implications

- 7.1. The proposed 2022/2023 Revenue Budget for the Valuation Board is £3.665 million.
- 7.2. This budget assumes a contribution of £0.193 million from Reserves held in the balance sheet.
- 7.3. The Reserves balance is expected to be £1.148 million at the end of 2021/2022, as detailed in the Revenue Budget Monitoring and Probable Outturn Position 2021/2022 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 2022/2023 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

3 November 2021

Previous References

- ◆ Financial Strategy 2019/20 to 2021/22 and Longer Term Outlook – 5 March 2018
- ◆ Revenue Budget 2021/2022 – Lanarkshire Valuation Joint Board – 7 December 2020

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 2022/2023

Description	2021/22 Base Budget £m	2022/23 Required Budget £m	Budget Movement (Inc) / Dec £m
Employee Costs	2.822	2.629	(0.193)
Property Costs	0.207	0.202	(0.005)
Supplies and Services	0.081	0.082	0.001
Administration Costs	0.696	0.735	0.039
Payments to Other Bodies	0.022	0.022	0.000
Financing Charges	0.014	0.013	(0.001)
Gross Expenditure	3.842	3.683	(0.159)
Income	(0.007)	(0.018)	(0.011)
Net Expenditure	3.835	3.665	(0.170)
Net Expenditure Budget Funded by :			
Requisition from North Lanarkshire Council	(1.754)	(1.736)	0.018
Requisition from South Lanarkshire Council	(1.754)	(1.736)	0.018
IER Funding – Cabinet Office	(0.020)	-	0.020
Use of Monies held in Balance Sheet (c/f from previous years)	(0.307)	(0.193)	0.114
Net Budget	0.000	0.000	0.000