

Report

Report to:	Lanarkshire Valuation Joint Board
Date of Meeting:	5 December 2022
Report by:	Treasurer to Lanarkshire Valuation Joint Board

Subject:	Revenue Budget 2023/2024 – 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 (2023/2024)

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 £4.392 million being set for 2023/2024, 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. This report approved the 2023/2024 budget based on a number of assumptions. This paper will take the opportunity to refresh these assumptions and propose the budget for 2023/2024.
- 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 2022/2023 probable outturn exercise, also presented to this meeting, a balance of £0.061 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 (£1.479 million) and will mean a balance on Reserves of £1.540 million for use in 2023/2024 and beyond. This updates the previously reported position in the Financial Strategy on 27 June 2022.
- 3.4. Section 4 provides a reminder of the 2023/2024 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 2023/2024 and beyond.

4. 2023/2024 Budget Assumptions

4.1. The Board's Financial Strategy (June 2022) approved a budget for 2023/2024 of £4.302 million. This included the use of £0.182 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 2% for 2023/2024, and then is assumed at 1% for the following 3 years. Pay Award was noted as an area of risk (refer 4.2)
- ◆ that the transfer of Valuation Appeal Panel activities to the Scottish Courts and Tribunal Service will have no financial impact (the money will be removed from the councils' settlements and, therefore, from the income the Board receives from councils)
- ◆ that the Barclay funding is assumed at the same level as 2022/2023, 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

2023/2024 Updated Assumptions

4.2. **Pay Award (2022/2023):** Since this Strategy was approved, the pay award for 2022/2023 has been confirmed at a level higher than the 2% budget for 2022/2023. This will mean an additional annual cost of £0.090 million, revising the budget for 2023/2024 to £4.392 million. It is proposed that this is funded by Reserves in 2023/2024 and beyond, but as this is not a recurring funding solution, efficiencies will be considered into 2024/2025 to manage this on a permanent basis.

4.3. **Valuation Appeal Panel:** The transfer of Valuation Appeal Panel activities to the Scottish Courts and Tribunal Service was due to transfer on 1 January 2023, but has now been delayed until 1 April 2023. The transfer will have no overall financial impact as it is anticipated that when this is processed, the expenditure budget will be removed from the councils' settlements and from the income the Board receives from councils.

4.4. Taking into account the impact of the 2022/2023 Pay Award, Appendix 1 shows the revised budget for 2023/2024.

5. Reserves

5.1. The Board's Strategy reported in June 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 £0.502 million at the end of 2025/2026.

Table 1 – Reserves Forecast and Strategy (June 2022)

	2022/23 <i>(year 0)</i> £m	2023/24 <i>(year 1)</i> £m	2024/25 <i>(year 2)</i> £m	2025/26 <i>(year 3)</i> £m
Opening Balance	1.479	1.419	1.237	0.905
Proposed Utilisation of Reserves	(0.060)	(0.182)	(0.332)	(0.403)
Closing Balance	1.419	1.237	0.905	0.502

- 5.2. However, the Reserves position in Table 1 needs to be updated to reflect the additional Reserves available following the 2022/2023 Probable Outturn (section 3.3), as well as a base assumption that the 2022/2023 increased Pay Award will be funded from Reserves in all years (section 4.2).
- 5.3. Table 2 updates the impact on Reserves across the 3 years of the Strategy and shows that by applying the principles noted in 4.1, and the updated availability and use of Reserves, the Board would now have a balance of £0.353 million at the end of 2025/2026.

Table 2 – Reserves Forecast and Strategy – Revised December 2022

	2022/23 <i>(year 0)</i> £m	2023/24 <i>(year 1)</i> £m	2024/25 <i>(year 2)</i> £m	2025/26 <i>(year 3)</i> £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

- 5.4. This position is after a reduction in the councils' contributions of £0.050m in 2023/2024 and 2024/2025. This still represents a significant 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 £0.353m balance of reserves is considered reasonable to mitigate this risk.
- 5.6. In 2025/2026, there is still a reliance on reserves (£0.493 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 holds 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 2023/2024 Revenue Budget for the Valuation Board is £4.392 million.
- 7.2. This budget assumes a contribution of £0.272 million from Reserves held in the balance sheet.

7.3. The Reserves balance is expected to be £1.540 million at the end of 2022/2023, as detailed in the Revenue Budget Monitoring and Probable Outturn Position 2022/2023 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 2023/2024 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

22 November 2022

Previous References

- ◆ Revenue Budget 2022/2023 – Lanarkshire Valuation Joint Board – 6 December 2021
- ◆ 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 2023/2024

Description	2022/23 Base Budget £m	2023/24 Required Budget £m	Budget Movement (Inc) / Dec £m
Employee Costs	3.137	3.258	(0.121)
Property Costs	0.202	0.208	(0.006)
Supplies and Services	0.159	0.159	0.000
Administration Costs	0.740	0.740	0.000
Payments to Other Bodies	0.031	0.031	0.000
Financing Charges	0.013	0.013	0.000
Gross Expenditure	4.282	4.409	(0.127)
Income	(0.017)	(0.017)	0.000
Net Expenditure	4.265	4.392	(0.127)
Net Expenditure Budget Funded by:			
Requisition from North Lanarkshire Council	2.102	2.060	0.042
Requisition from South Lanarkshire Council	2.103	2.060	0.043
Use of Monies held in Balance Sheet (c/f from previous years)	0.060	0.272	(0.212)
Net Budget	0.000	0.000	0.000