

# **Agenda Item 5**

## **Proposed Revenue Budget 2022/23**

## **Agenda Item 5**

### **CENTRAL SCOTLAND VALUATION JOINT BOARD**

**Subject:** Proposed Revenue Budget 2022/23  
**Meeting:** Central Scotland Valuation Joint Board  
**Date:** 4th March 2022  
**Author:** Joint Report by Treasurer and Assessor

#### **1. Introduction**

- 1.1 This report presents the Proposed Revenue Budget for Central Scotland Valuation Joint Board (the Board) for the financial year 2022/23.
- 1.2 The report details the budget estimates for consideration and makes recommendations on the required requisition from Falkirk, Stirling and Clackmannanshire Councils.

#### **2. Recommendations**

The recommendations arising from this report are that the Board:-

- Formally approves the Revenue Budget for 2022/23, as detailed in Appendix A;
- Agrees the Treasurer's recommendation to maintain the minimum reserves policy at a level between 3% and 6% of net revenue expenditure;
- Agrees to earmark funds from general reserves as set out in section 6.2, and;
- Agrees to requisition the constituent authorities for their share of the net expenditure as outlined in Table 5.

#### **3. Background**

- 3.1 The Assessor & Electoral Registration Officer (ERO) is personally responsible for three statutory functions. These are the compilation and maintenance of the Electoral Register, the compilation and maintenance of the Council Tax Valuation List, and the compilation and maintenance of the Valuation Roll. These functions are important for local democracy and elections, and provide the basis for local domestic and non-domestic taxation. The Board has a statutory duty to fund the Assessor and ERO to carry out his duties.

- 3.2 Government has introduced an Elections Bill to the UK Parliament and it is anticipated that it will become law during 2022/23 and it is proposed that the processing of voter identity documents will commence on 1 December 2022. The UK Government has indicated that it will fund any additional costs through "New Burdens". However at the time of preparing this budget the exact nature of the Voter ID application and card issue process is not known and there are no details of how the additional funding will be allocated.
- 3.3 The Assessor & ERO and the VJB are Data Controllers for personal data and thus have to ensure that they continue to meet Data Protection requirements and are sufficiently resourced to meet those requirements. Cyber security is a key requirement to protect the data that is held and again it is important that we are sufficiently resourced in this area. The budget reflects the known requirements at the point it is prepared but this is an area where requirements can quickly change.
- 3.4 The digitisation of records has resumed, and is planned to continue during the course of 2022/23. However the preparation for the 2023 Revaluation, the disposal of the c5900 Covid MCC appeals, the adaptation of CSVJB systems to accommodate the transfer of Valuation Appeal Committee work to the Scottish Courts and Tribunals Service and the introduction of a new Non Domestic proposals and appeals system with effect from 1 January 2023 will take precedence. Homeworking has continued during 2021/22 but it is anticipated that 2022/23 will see a hybrid approach to working, with employees working at both Hillside House and at home. The more flexible approach to working and the digitisation of records are both factors that are being considered as part of the accommodation review ahead of the lease expiry on Hillside House in 2023.
- 3.5 Work is well underway on the preparation for the 2023 Revaluation and the move to 3 yearly revaluations. The next few years will see the Service undergo some of the most radical changes since the introduction of Council Tax thirty years ago.
- 3.6 Work has also commenced on the adoption of Clackmannanshire Council's finance system (TechnologyOne) which will be completed early in 2022/23. This move will enable real time monitoring of financial information along with an electronic order, receipt and payments process. Once this is complete Financial Regulations and Contract Standing Orders will be reviewed and updated to reflect the new automated processes.
- 3.7 The Scottish Government previously announced in its Local Government Finance Circular 1/2020 that it was making available £4.922m Scotland wide for the implementation of the Barclay Review through constituent authorities. The additional indicative costs brought about by the requirements of the Barclay Review are to be 100% funded by this additional funding and passported through an increase in requisitions from the constituent authorities. For 2021/22 this amounted to £304,690 and requisitions were increased by this amount. Due to the significant underspend in Barclay funding in 2021/22, Boards have been asked to use this underspend to fund

inflationary increases for 2022/23, rather than being provided with additional funds through the settlement and consequently Local Authority requisitions. As a result £74,310 from the 2021/22 underspend and the earmarked balance of the 2019/20 underspend has been allocated to support the 2022/23 budget. The remaining balance of the 2021/22 underspend will be maintained as an earmarked reserve. For future years further increases are expected amounting to an additional £12,930 for 2023/24 and £12,085 for 2024/25 in line with pay inflation increases.

- 3.8 As in previous years the Treasurer has reviewed the Board's Reserves and future years' pressures. As a consequence of this review, the Treasurer recommends the reserves policy level remains in the range of 3% to 6% of net expenditure to allow for flexibility across future years. After approving the proposed budget the projected reserves to the 31 March 2023 represent an uncommitted reserve level of £111,209 which equates to 3.6% of net expenditure. This position will continue to be reviewed annually to ensure reserve levels remain adequate but not excessive in light of known pressures and future forecasts.
- 3.9 Barclay funding has been made available until 2025; however there is a possibility of a comprehensive spending review during 2022 which could potentially lead to a reduction in funding. With permanent staffing posts in place it is requested that in-year underspends relating to this funding are earmarked for future Barclay related expenditure or reductions in funding. £12,780 of the in year underspend has been earmarked against future years costs.
- 3.10 The existing Property Maintenance Fund of £121,910 is also recommended to remain earmarked in setting this Budget. This Fund allows the Assessor and ERO to maintain the existing office accommodation with a view to undertaking an options appraisal prior to the lease renewal date in 2023. Specific maintenance works along with their associated project timescales will be managed as we move towards the end of the current lease period. The review of the accommodation needs of the Board has commenced and recommendations will be presented to the Board during 2022/23. It is important that the Board retains sufficient reserves to allow it to obtain the correct accommodation to meet its future needs, particularly as a move away from Hillside House would incur a claim for dilapidations by the landlord.
- 3.11 At the time of proposing this budget, the pay settlement for 2022/23 is yet to be agreed, with negotiations ongoing. The assumptions contained within this budget are based on the Scottish Government proposal set out in its draft budget on 9th December 2021. This comprised; a payment of £775 for those earning up to £25,000, £750 for those earning £25,001 to £40,000 and a flat payment of £500 for those earning over £40,000. However, as pay negotiations have not yet been concluded, this is not an agreed position. It is recommended that the Board earmark an amount of £5,400 in line with the previous financial planning assumption of 2% which was based on the pay settlement in previous years. This would allow a pay increase up to 2% to be met within existing reserves. However, if the agreed pay award is greater than

2%, the budget would need to be reviewed with the possibility of further funds being requested from the Constituent Authorities.

3.12 Looking ahead, it is anticipated that the pressure on public sector resources will continue for the foreseeable future, resulting in funding gaps in future years. This presents an extremely challenging position and one which requires the Board to continue its work to minimise its costs, maximise its income and to continue to explore innovative ways of delivering its services wherever this is possible. This includes ensuring that it receives Best Value from the goods and services it procures.

3.13 Clearly, this context also highlights a number of potential risks which require to be managed and/or mitigated. Key potential risks for the Board to consider in setting its Budget include:

- uncertainty over the level of future funding streams from the constituent authorities;
- uncertainty over the exact impact of the significant changes to the Non Domestic Rating system outlined above;
- uncertainty around the planned introduction of Voter ID in December 2022;
- uncertainty of the resources required to implement the new Civil Penalties for the non-return of Assessor Information Notices;
- uncertainty around the disposal of some 5,900 Covid MCC appeals that are due to be dealt with by 31 December 2022. The Scottish Government has laid a Bill seeking to rule out these appeals but the legislation is at the early stages of the parliamentary process;
- the ever increasing risk of a cyber-attack continues to take resources to prevent an attack and safeguard the Board's data. This is likely to be an area of increased spend in the future;
- the ability of the Board to retain and recruit qualified staff. The move to three yearly revaluations requires additional staff resources, and we continue to struggle to recruit qualified staff at Valuer level. Even at a more senior level the retention of key employees is proving difficult which impacts on delivering the necessary changes to the Service, and
- the ability of the Board to make year on year reductions in its net expenditure, or even maintain expenditure at current levels, at the same time as the Service is dealing with the increased workload. As a result of the changes listed above this is extremely limited particularly when 77% of the Valuation Board's net expenditure is on the cost of employment.

## 4. Revenue Budget 2022/23

- 4.1 The summary of the proposed Revenue Budget is attached as Appendix A.
- 4.2 The proposed Budget has been prepared reflecting the proposed salary regrading of the two Divisional Assessor posts in line with current market salaries at an additional in year cost of £18,370. The non-staffing budgets have been carried forward from the current year with appropriate adjustments for known variations. The proposed Budget reflects an increase in expenditure of 4.4%, £131,340 which is primarily due to salary inflation, and increases for the anticipated budget pressure to implement the Barclay Review. This is consistent with the Board's stated ambition to maintain its expenditure at sustainable levels.
- 4.3 A summary of the main changes from the 2021/22 budget is included at Table 1 below.

**Table 1: 2022/23 Budget Adjustments Summary**

Item		Adjustment Value £	Explanation
Salary variations	↓	-5,610	In year changes for new starts/leavers
Salary Inflation increases	↑	73,660	See table 2 below
Barclay Review	↑	74,310	See Table 3 below
Long service award	↑	800	40 year award due
Superannuation Annual Charges	↓	-500	In line with current monthly charges
Recruitment	↑	500	Due to vacancies
Training	↓	-1,000	Training in line with training plan.
Vacancy management	↓	-5,000	Further budget reduction due to delays in recruiting
Annual maintenance external repairs	↑	930	In line with 2021/22
Service Requested Building Repairs	↑	1420	In line with current monthly charges
Service Charge	↑	990	Inflationary increase 5%
Cleaning & Hygiene	↑	130	In line with current monthly charges
Gas	↑	3,140	In line with anticipated increase
Electricity	↑	730	In line with anticipated increase, small increase as current budget exceeds cost

Item		Adjustment Value £	Explanation
Water charges	↓	-1,400	In line with current monthly charges
Cleaning Services	↓	-10,830	Saving made due to new contract
Rates	↑	2,200	Poundage increase to 49.8p
Staff mileage	↓	-8,000	Reduction in line with current costs
Furniture purchases	↓	-500	No longer required due to hybrid working
Equipment maintenance	↓	-900	Reduced printing during home working expected to continue in part on return to the office
Insurance	↑	1,470	In line with 2021/22 plus estimated inflation
Postages	↑	8,000	Consistent with current spend
Publications	↑	4,120	In line with current costs
Advertising	↓	-1,000	Reduced in line with current spend
Stationery	↓	-700	Reduced stationery during home working expected to continue in part on return to the office
Mobile Telephones	↓	-6,550	Reduction as last years increase was a one off cost for handsets
Disaster recovery	↑	4,130	Back up of data has increased due to digitising records
Computer Hardware Maintenance	↓	-3,500	Higher costs in initial years, will now see a more even spread of costs each year
Computer Software Maintenance	↓	-2,750	Contract Inflation plus additional costs for GIS Development for Revaluation
Support Services	↑	2,590	Increase based on 3% inflation
Miscellaneous	↑	460	Small adjustments across budget areas
<b>TOTAL</b>	↑	<b>131,340</b>	<b>Increase of 4.4%</b>

4.4 Inflation has been applied where there is a specific or contractual requirement. A summary of the inflation rates applied in setting the 2022/23 Salary Budget is provided at Table 2 below. Table 3 also shows the specific costs in relation to Barclay.

**Table 2: 2022/23 Salary Budget Inflation rates**

Item	%	Adjustment Value £
Pay Award	+1.5%(avg)	29,320
Pay Increments	0.20%	1,680
Superannuation	0.50%	6,890
NIC	+2.3%(avg)	3,750
NIC increase to 15.05%	+1.25%	13,750
Regrading		18,270
<b>TOTAL</b>		<b>73,660</b>

**Table 3: Barclay review costs**

Description	FTE	2021/22 Agreed Costs Value £	2022/23 Additional Costs Value £	2022/23 TOTAL Barclay Value £
Principal Valuer	1	70,760	1,410	72,170
Valuer	1	0	54,900	54,900
Trainee Valuer	2	97,900	4,160	102,060
Analyst Programmer	1	53,840	1,080	54,920
Upgrade of existing Analyst Programmer	1	8,960	0	8,960
Upgrade of existing Senior Valuer	1	0	6,440	6,440
Technician	1	0	39,910	39,910
Admin Officer	1	26,350	-10,220	16,130
Overtime		33,370	-23,370	10,000
IT Software		5,510	0	5,510
Additional Forms/Notices		8,000		8,000
<b>TOTAL</b>		<b>304,690</b>	<b>74,310</b>	<b>379,000</b>

## 5. Indicative Funding to 2026/27

5.1 It is anticipated that by 2026/27, there will be a cumulative funding gap of £1,919,950 as set out in table 4 below. This funding gap assumes:

- requisitions from constituent authorities will include funding for Barclay review of £304,690 in 2022/23 this is net of the £74,310 funded from earmarked reserves. On the basis of no underspend in Barclay funds for 2022/23: £391,930 in 2023/24 and £404,020 in 2024/25, with Barclay funding anticipated to cease at the end of 2025.
- pay inflation at 2% per annum over this period;

- employers pension contributions will continue to increase at 0.5% per annum;
- general demand pressures for new/changes in activity in future years assumed to be offset by savings;
- average contract inflation of 1.5%, and
- there will be no funding from Cabinet Office for IER.

5.2 In light of the significant degree of continuing uncertainty which exists with respect to many of these assumptions, they will be kept under review, and updates regularly reported as part of regular outturn reporting to the Board during the year as further information is available.

5.3 Table 4a below sets out the indicative funding gap based on the above assumptions to 2026/27 including the assumption that Barclay funding would cease at the end of 2025.

**Table 4a: Indicative Funding gap 2022/23 to 2026/27**

<b>Central Valuation Joint Board - Funding Assumptions</b>	<b>2022/23 Proposed</b>	<b>2023/24 Indicative</b>	<b>2024/25 Indicative</b>	<b>2025/26 Indicative</b>	<b>2026/27 Indicative</b>
	£	£	£	£	£
Funding Assumption - per requisition	(£2,889,900)	(£2,902,830)	(£2,914,920)	(£2,585,210)	(£2,585,210)
Funding From Reserves	(133,470)				
Funding from Barclay underspend 2019/20 & 2021/22	(74,310)				
Funding Requirements - per known inflationary pressures	3,097,680	3,140,760	3,199,340	3,255,420	3,312,600
Annual Funding Shortfall	0	237,930	284,420	670,210	727,390
Cumulative Shortfall	0	237,930	522,350	1,192,560	1,919,950

5.4 Table 4b below sets out the indicative funding gap if Barclay funding continued to be passported through constituent authorities beyond 2024/25 or if ceased, constituent authorities agree to fund Barclay from their own funding allocation. This would reduce the in year gap for 2025/26 by £412,620 and £421,420 for 2026/27.

**Table 4b: Indicative Funding gap 2022/23 to 2026/27**

<b>Central Valuation Joint Board - Funding Assumptions</b>	<b>2022/23 Proposed</b>	<b>2023/24 Indicative</b>	<b>2024/25 Indicative</b>	<b>2025/26 Indicative Authorities funding Barclay</b>	<b>2026/27 Indicative Authorities funding Barclay</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Funding Assumption - per requisition	(£2,889,900)	(£2,902,830)	(£2,914,920)	(£2,997,830)	(£3,006,630)
Funding From Reserves	(133,470)				
Funding from Barclay underspend 2021/22	(74,310)				
Funding Requirements - per known inflationary pressures	3,097,680	3,140,760	3,199,340	3,255,420	3,312,600
Annual Funding Shortfall	0	237,930	284,420	257,590	305,970
Cumulative Shortfall	0	237,930	522,350	779,940	1,085,910

5.5 It is proposed that the 2022/23 funding gap of £207,780, is funded £133,470 from uncommitted reserves and £74,310 from the Barclays earmarked reserve. Strategies for closing the gap identified for future years will be developed and brought forward as part of the Boards budget setting process in the respective years.

## **6. Reserves**

6.1 As at 31 March 2021 the Board had reserves of approximately £518,150. Of this total, £411,310 was earmarked for a specific purpose during the 2021/22 financial year, leaving an uncommitted reserve of £106,840. This uncommitted reserve is expected to increase by £208,507 at 31 March 2022 due to the anticipated 2021/22 underspend.

6.2 This proposed Budget reflects total reserves of £459,079 comprising £347,870 earmarked reserves and £111,209 uncommitted reserves. Earmarked reserves are made up of:

- Funding to support the 2022/23 budget shortfall of £133,470

- Barclays underspends of £87,090 of which £74,310 will offset the demand growth required for 2022/23 and £12,780 required to be ring fenced to offset any future funding reductions;
- Property Maintenance Fund of £121,910;
- Funding of £5,400 to cover the pay award element up to 2%.

After accounting for these commitments, this leaves an uncommitted reserve balance of £111,209 which equates to 3.6% of budgeted net expenditure.

- 6.3 The Treasurer has proposed that the policy for minimum uncommitted reserves is maintained at a range of 3% to 6%, to allow for year on year flexibility.

## **7. Requisitions**

- 7.1 On the basis of the proposed Budget, the cost for financial year 2022/23 that requires to be allocated amongst the constituent authorities is £2,889,900 which is a 2% uplift from 2021/22. This includes £304,690 ring fenced funding for Barclay.
- 7.2 In recognition of the challenging financial position for constituent authorities, demand pressures have been offset by savings along with the use of uncommitted reserves. However, to achieve a balanced budget it has been necessary to increase the contribution from constituent authorities by 2%.
- 7.3 One of the main pressures within the Budget is in relation to employee costs which make up approximately 77% of the Boards budget. In 2021/22 the inflationary cost pressures for superannuation and pay awards were funded from savings realised mainly through the staffing restructure. However in 2022/23 this is not possible, therefore there is a requirement for constituent authorities to partially fund this increase for 2021/22.
- 7.4 In addition to the requisitions, this Budget is proposed on the basis that the constituent authorities will passport any funding received through the Local Government Settlement to fund 100% of the demand pressure relating to the Barclay review. Per the draft Local Government settlement for 2022/23 there has been no additional funding.
- 7.5 The requisition for each constituent authority and Barclay funding is detailed in Table 5 below:

**Table 5: 2022/23 Proposed Requisitions**

Constituent Authorities Requisitions	Requisition 2021/22	Barclay Settlement Agreed Allocation 2021/22	Requisition including Barclay 2021/22	Additional funding from Constituent Authorities (2% increase)	Proposed Requisition 2022/23
	£	£	£	£	£
Falkirk	1,249,011	157,360	1,406,371	24,980	<b>1,431,351</b>
Stirling	893,672	94,210	987,882	17,873	<b>1,005,755</b>
Clackmannanshire	391,837	53,120	444,957	7,837	<b>452,794</b>
	<b>2,534,520</b>	<b>304,690</b>	<b>2,839,210</b>	<b>50,690</b>	<b>2,889,900</b>

## 8. Conclusions

- 8.1 This report provides information on the revenue budget for the financial year to 31 March 2023. The Board is asked to note the contents of this report and approve the recommendations as set out in section 2 of the paper.

**Approved By:**

**Peter Wildman**  
**Assessor/Electoral Registration Officer**

**Lindsay Sim**  
**Treasurer**

**Date: 4<sup>th</sup> March 2022**

### **LIST OF BACKGROUND PAPERS**

1. Budget working papers (these are available from the Treasurer Tel 01259 452022)

## Central Scotland Valuation Joint Board - Proposed Budget 2022/23

	2021/22 Approved Budget	Budget Changes	2022/23 Proposed Budget
	£	£	£
<b>Employee Related Expenditure</b>			
Single Status Gross Salaries	1,440,820	39,610	1,480,430
Single Status Employers Superann	341,870	9,360	351,230
Single Status Employers NIC	147,820	19,080	166,900
Barclays - Single Status Gross Salaries	198,410	63,000	261,410
Barclays - Single Status Employers Superann	38,070	15,260	53,330
Barclays - Single Status Employers NIC	21,320	8,700	30,020
Barclays - Single Status Overtime	33,370	(12,650)	20,720
Long service award	-	800	800
Conference Expenses And Subsistence	2,500	0	2,500
Superannuation Annual Charges	19,500	(500)	19,000
Recruitment	-	500	500
Staff Training	11,620	(1,000)	10,620
Vacancy Management	- 10,000	(5,000)	(15,000)
<b>Employee Related Expenditure</b>	<b>2,245,300</b>	<b>137,160</b>	<b>2,382,460</b>
<b>Premises Related Expenditure</b>			
Annual Maintenance External Providers	6,200	930	7,130
Service requested building repairs	6,680	1,420	8,100
Service Charge	19,760	990	20,750
Cleaning & Hygiene Materials	1,260	130	1,390
Window Cleaning	360	0	360
Gas	4,020	3,140	7,160
Electricity	12,070	730	12,800
Rents	85,000	0	85,000
Rates	44,100	2,200	46,300
Water Charges	5,700	(1,400)	4,300
Property Insurance	1,570	20	1,590
Cleaning Services Internal recharge	25,000	(10,830)	14,170
<b>Premises Related Expenditure</b>	<b>211,720</b>	<b>(2,670)</b>	<b>209,050</b>
<b>Transport Related Expenditure</b>			
Staff Travel	20,000	(8,000)	12,000
<b>Transport Related Expenditure</b>	<b>20,000</b>	<b>(8,000)</b>	<b>12,000</b>
<b>Supplies &amp; Services Expenditure</b>			
Purchase Of Furniture	500	(500)	-
General Consumables	250	0	250
Equipment Maintenance	1,840	(900)	940
Medical Supplies	100	50	150
Hospitality	1,750	(750)	1,000
Uniforms & Clothing	400	0	400
Office Equipment - Rental	5,110	290	5,400
Printing & Photocopying	3,000	0	3,000
Stationery	1,000	(700)	300
Publications	7,880	4,120	12,000
Advertising - General	5,000	(1,000)	4,000
Insurance	9,800	1,470	11,270
Postages	132,000	8,000	140,000

# Appendix A

## Central Scotland Valuation Joint Board - Proposed Budget 2022/23

	2021/22 Approved Budget	Budget Changes	2022/23 Proposed Budget
	£	£	£
<b>Supplies &amp; Services Expenditure continued</b>			
Legal Expenses	27,000	0	27,000
Subscriptions	580	0	580
Telephones	10,070	270	10,340
Mobile Telephones	14,730	(6,560)	8,170
Computer Hardware Purchase	9,600	0	9,600
Disaster Recovery	18,230	4,140	22,370
Computer Hardware Maint.	3,500	(3,500)	0
Computer Software Maint.	124,700	(2,750)	121,950
Barclays - Computer Software Maint.	5,520	0	5,520
Computer Peripherals	500	0	500
<b>Supplies &amp; Services Expenditure</b>	<b>383,060</b>	<b>1,680</b>	<b>384,740</b>
<b>Third Party Payments</b>			
Other Local Authorities	12,130	420	12,550
Payments To Contractors	3,850	0	3,850
Payment to Other Agencies	8,000	0	8,000
Audit Scotland	7,610	160	7,770
<b>Third Party Payments</b>	<b>31,590</b>	<b>580</b>	<b>32,170</b>
<b>Support Services</b>			
Accountancy	33,470	1,000	34,470
Human Resources	24,410	730	25,140
Legal	16,280	490	16,770
Corporate Services	12,210	370	12,580
<b>Support Services</b>	<b>86,370</b>	<b>2,590</b>	<b>88,960</b>
<b>TOTAL GROSS EXPENDITURE</b>	<b>2,978,040</b>	<b>131,340</b>	<b>3,109,380</b>
<b>Income</b>			
Income Government Revenue Grant	0	0	0
Charges for Services Standard VAT	(7,700)	0	(7,700)
Other Income	(4,000)	0	(4,000)
<b>Income</b>	<b>(11,700)</b>	<b>0</b>	<b>(11,700)</b>
<b>NET EXPENDITURE</b>	<b>2,966,340</b>	<b>131,340</b>	<b>3,097,680</b>
		<b>Increase</b>	<b>4.4%</b>
		<b>Employee Costs</b>	<b>77%</b>