

Agenda Item 5

Proposed Revenue Budget 2023/24



AGENDA ITEM 5

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: Proposed Revenue Budget 2023/24
Meeting: Central Scotland Valuation Joint Board
Date: 3rd March 2023
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 2023/24.
- 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 2023/24, 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 4.

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 The UK Government passed the Elections Act in May 2022, which introduces various measures including the issuing of free Voter Authority Certificates. These are aimed at those electors who don't have one of the listed forms of ID necessary to vote in UK Parliamentary Elections. The Act also makes amendments to the way postal vote applications are made for UK Parliamentary elections, the period for which UK Parliamentary postal vote applications are valid for, changes to proxy vote rules for UK Parliamentary elections and the removal of the 15-year limit for Overseas Electors. All of these changes will place new burdens on Electoral Registration Officers. The UK Government has committed to providing funding to cover the cost of these new burdens. So far it is only the issuing of Voter Authority Certificates that has commenced, from May 2023 Voter ID will be necessary for UK Parliamentary by-elections in Scotland, with a planned roll out for UK Parliamentary elections in the autumn of 2023. An initial grant has been received from the Department of Levelling Up Housing and Communities (DLUHC) to cover the issuing of Voter Authority Certificates.
- 3.3 The Assessor & ERO and the Board 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.
- 3.4 Cyber security is a key requirement to protect the data that is held and to ensure the resilience of the organisation, particularly given the move to home working. 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.
- 3.5 The reforms to Non Domestic Rating brought about by the Scottish Government's Non Domestic Rates (Scotland) Act 2020 are now coming to fruition. November 2022 saw us publish the first Draft Valuation Roll and the issue of Draft Valuation Notices. The actual Valuation Roll will be published on 01 April 2023. Valuations in both rolls are based on levels of value as at 01 April 2022. There has also been an expansion in the number of subjects on the Scottish Assessors Association (SAA) website with detailed valuations as well as lists of rented properties from which the basic rate used to value the subjects has been derived. In addition to these changes there is also a new non-Domestic proposal and appeal system being introduced with effect from 01 April 2023. These changes have required and continue to require significant changes to the valuation software and systems within the organisation. The move to three yearly Revaluations requires us to do the same work in three years that we would normally have done in a five-year period. This clearly has resource implications including staffing. The Scottish Government have provided additional funding to cover this increase, but for the coming year funding has been flat cashed at 2022/23 levels.
- 3.6 2022/23 saw a considerable turnover in staffing and there remains significant challenges in recruiting and retaining qualified valuation staff. Hybrid working is now the norm with a minimum of 40% of time spent in the office with the remainder of the time spent working from home. This and the digitisation of records together with the development of IT systems and infrastructure has meant that the Board has been able to reduce its accommodation needs as outlined in the accommodation review previously reported to the Board.

- 3.7 From 01 April 2023 the work of the local Valuation Appeal Committees will be transferring to the Scottish Courts and Tribunal Services. The date has been aligned with the move to the new non-domestic appeals system. Discussions are currently ongoing via the SAA about the transfer of data from Assessors to the SCTS. There are also some changes to processes around Council Tax appeals.
- 3.8 During the year, work has completed on the adoption of Clackmannanshire Council's finance system (TechnologyOne). This has enabled real time monitoring and forecasting of financial information along with electronic order, receipt and payments and invoicing processes. Ongoing reviews have taken place throughout the year to ensure processes are working effectively, and adjustments have been implemented where needed. Financial Regulations and Contract Standing Orders are being reviewed to reflect the new automated processes and will be presented to the Board in due course.
- 3.9 The Scottish Government previously announced in its Local Government Finance Circular 1/2020 funding of £4.922m Scotland wide for the implementation of the Barclay Review. 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 2022/23 this amounted to £306k and requisitions were increased by this amount.
- 3.10 The draft local authority settlement for 2023/24 showed no increase in the funding allocation for 2023/24. As the Board has permanent staffing posts in place it is subject to the same pay award pressures as local authorities and these remain unfunded. Due to the significant underspends in Barclay funding in previous years, Boards have been asked to use underspends on this funding to fund inflationary increases. As such underspends have been earmarked to support the 2023/24 Budget, however, as this is one off funding, and Barclay initiatives pick up pace, underspends are likely to reduce in future years placing pressure on the Board to make savings or increase requisitions to fund inflationary increases if the funding is not increased. Initial funding was only until 2025 which would bring additional financial pressure on the Board however, discussions are ongoing regarding the continuation of the funding beyond this date.
- 3.11 As agreed by the Board in 2022, during 2023/24, the Board is moving its premises from Hillside House. This smaller property is expected to reduce costs and this is reflected in the proposed budget. On vacating Hillside house it is expected that the existing Property Maintenance Fund of £122k will be utilised in full and it is therefore recommended to increase this fund to £280k to be drawn down as required. On moving to the new premises, refit costs of £88k are estimated and an amount for this is also proposed to be earmarked as set out in section 6.
- 3.12 At the time of proposing this budget, there has been no agreement on the pay settlement for 2023/24. An indicative increase of 2% has been included in the proposed budget which equates to approximately £50k, however, there is much uncertainty around pay making it difficult to forecast what the increase may be. It is worth noting that additional funding was provided to constituent authorities to partly fund the agreed pay award for 2022/23 above 2%, however none of this funding was allocated to the Board and the cost has

been met within existing budgets. Once the pay award for 2023/24 has been agreed, it may be necessary for the Board to ask constituent authorities for additional funding to meet this cost. Updates on the pay settlement will be included in the regular financial update reports to the Board during 2023/24.

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 demand for Voter Authority Certificates ahead of a UK General Election;
- uncertainty of the resources required to implement the remaining measures of the Elections Act and in particular the increase in work as a result of differing approaches to absent vote applications between UK and Scottish Elections;
- uncertainty around the disposal of the significant number of Covid MCC appeals that are due to be dealt with by 31 December 2023. The legislation passed by the Scottish Parliament has not resulted to date in significant numbers of appeals being withdrawn;
- the ever increasing risk of a cyber-attack requires enhanced security measures 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 levels 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 79% of the Valuation Board's net expenditure is on the cost of employment.

3.14 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.

4. Revenue Budget 2023/24

- 4.1 The summary of the proposed Revenue Budget is attached as Appendix A.
- 4.2 The proposed Budget has been prepared reflecting the in year staffing changes including the removal of a vacant analyst/programmer post. The non-staffing budgets have been carried forward from the current year with appropriate adjustments for known variations including reduced costs relating to the relocation to smaller premises. The proposed Budget reflects a decrease in expenditure of (2.7%), £(83k) which is primarily due to salary savings, and relocating of premises. 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 2022/23 budget is included at Table 1 below.

Table 1: 2023/24 Budget Adjustments Summary

Item		Adjustment Value £	Explanation
Salary variations	↓	-12,710	In year changes for new starts/leavers
Salary Inflation increases	↑	151,190	See table 2 below
Salary saving	↓	-56,310	Removal of vacant post from establishment
Overtime	↓	-18,520	Reduction in overtime requirement
Long service award	↓	-800	No awards due in 2023/24
Training	↑	8,790	In line with training plan
Vacancy management	↓	-65,000	Increase to offset the in year underspend in staffing budget due to trainees on lower grades than budgeted
Annual maintenance	↓	-4,780	Reduced due to relocation to new premises with majority of maintenance costs included in service charge
Service Requested Building Repairs	↓	-6,600	Reduced due to relocation to new premises and limited repairs expected
Service Charge	↑	4,510	Increase for new property, plus overlap for existing property
Cleaning & Hygiene	↓	-1,190	Reduced due to relocation to new premises and costs included in service charge
Gas	↓	-5,500	No gas supply in new premises
Electricity	↓	-2,300	Reduced due to relocation to smaller premises

Item		Adjustment Value £	Explanation
Rent	↓	-37,830	Reduced rent for new premises
Rates	↓	-5,310	Reduced rates for new premises
Water charges	↓	-3,580	No additional charge in new premises
Cleaning Services	↓	-5,010	Reduced due to relocation to smaller premises
Staff mileage	↓	-4,500	Reduction in line with hybrid working
Storage & Removals	↑	2,550	Required to relocate to new premises
Print Photocopying	↓	-1,000	Reduction in number of devices required
Advertising	↓	-3,000	Reduced in line with expected spend
Insurance	↑	1,620	In line with 2022/23 plus inflation
Legal Expenses	↓	-3,500	Reduction in appeals requirement
Telephones	↓	-3,400	Reduction in call charges in line with new contract
Mobile Telephones	↑	1,170	In line with actual charges and requirements
Disaster recovery	↓	-4,570	Renewal of Workplace Recovery contract no longer required
Computer Software Maintenance	↓	-11,060	Update to requirements and removal of one year GIS development cost
Audit Fee	↑	1,030	Expected increase for external audit
Support Services	↑	2,290	Increase based on 3% inflation
Incomes - sales	↑	2,200	Sales expectation reduced based on average of 4 years actual sales
Miscellaneous	↓	-1,980	Small adjustments across budget areas
TOTAL	↓	-83,100	Decrease of 2.7%

4.4 Inflation has been applied where there is a specific or contractual requirement. A summary of the inflation rates applied in setting the 2023/24 Salary Budget is provided at Table 2 below. Costs in relation to Barclay are included within the overall budget figures..

Table 2: 2023/24 Salary Budget Inflation rates

Item	%	Adjustment Value £
Pay Award 2022/23 shortfall	+6.1%(avg)	95,830
Pay Award 2023/24	+2.0%	49,700
Pay Increments	0.28%	7,060

Superannuation	0.50%	17,520
NIC	-0.9%(avg)	-1,700
NIC reversal of 2022/23 increase of 1.25% back to 13.8%	-1.25%	-17,220
TOTAL		151,190

5. Indicative Funding to 2025/26

5.1 It is anticipated that by 2026/27, there will be a cumulative funding gap of £214k as set out in table 3 below. This funding gap assumes:

- requisitions from constituent authorities will include a 2% increase each year and continue to passport Barclay review funding of £306k.
- 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 3 below sets out the indicative funding gap based on the above assumptions to 2026/27.

Table 3: Indicative Funding gap 2023/24 to 2026/27

Central Valuation Joint Board - Funding Assumptions	2023/24 Indicative	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative
	£	£	£	£
Funding Assumption - per requisition	(£2,947,700)	(£3,006,654)	(£3,066,787)	(£3,128,123)
Funding From Reserves	(£66,880)			
Funding Requirements - per known inflationary pressures	3,014,560	3,073,628	3,138,042	3,203,781
Annual Funding Shortfall	-	66,974	71,255	75,658
Cumulative Shortfall	-	66,974	138,229	213,887

- 5.4 The funding in the above table assumes continuation of the Barclay review funding. At this time it is not known if this funding will continue. If funding was to cease it would reduce the funding from Constituent Authorities, adding a further £306k to the annual Gap in 2025/26 and 2026/27, giving a cumulative gap of £826k by 2026/27.
- 5.5 For 2023/24, it is proposed that the funding gap of £67k is funded from uncommitted reserves. 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 2022 the Board had reserves of approximately £623k. Of this total, £350k was earmarked for a specific purpose during the 2022/23 financial year, leaving an uncommitted reserve of £273k. This uncommitted reserve is expected to increase by £219k to £492k at 31 March 2023 due to the anticipated 2022/23 underspend. £207k of committed reserves are expected to be utilised during this financial year, resulting in total expected reserves of £635k at 31 March 2023.
- 6.2 This proposed Budget reflects estimated total reserves of £635k at 31 March 2023, comprising £510k earmarked reserves and £125k uncommitted reserves. Earmarked reserves are made up of:
- Funding to support the 2023/24 budget shortfall of £67k
 - Property Maintenance Fund of £280k;
 - Refit Costs of £88k;
 - General Reserve of £75k to cover in year pressures.

After accounting for these commitments and the proposed budget, projected reserves to the 31 March 2024 represent an uncommitted reserve level of £125k which equates to 4.1% of net expenditure.

- 6.3 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. 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.

7. Requisitions

- 7.1 On the basis of the proposed Budget, the cost for financial year 2023/24 that requires to be allocated amongst the constituent authorities is £2,948k which is a 2% uplift from 2022/23. This includes £306k 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 79% of the Boards budget. Inflationary cost pressures for superannuation and pay awards are firstly funded from savings realised mainly through the staffing restructure. However in 2023/24 this is not possible due to the additional pay award for 2022/23 being higher than the proposed 2%, and an estimated further increase of 2% for 2023/24 therefore there is a requirement for constituent authorities to increase their contributions for 2023/24.
- 7.4 In addition to the requisitions, this Budget is proposed on the basis that the constituent authorities continue to 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 2023/24 there has been no additional funding allocated and the total amount remains the same as in 2022/23.
- 7.5 The requisition for each constituent authority and Barclay funding is detailed in Table 4 below:

Table 4: 2023/24 Proposed Requisitions

Constituent Authorities Requisitions	Requisition 2022/23	Barclay Settlement Agreed Allocation 2022/23	Requisition including Barclay 2022/23	Additional funding from Constituent Authorities (2% increase)	Proposed Requisition 2023/24
	£	£	£	£	£
Falkirk	1,273,351	158,000	1,431,351	28,628	1,459,979
Stirling	910,755	95,000	1,005,755	20,116	1,025,871
Clackmannanshire	399,794	53,000	452,794	9,056	461,850
	2,583,900	306,000	2,889,900	57,800	2,947,700

8. Conclusions

- 8.1 This report provides information on the revenue budget for the financial year to 31 March 2024. 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: 3rd March 2023

LIST OF BACKGROUND PAPERS

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

Central Scotland Valuation Joint Board - Proposed Budget 2023/24

	2022/23 Approved Budget	Budget Changes	2023/24 Proposed Budget
	£	£	£
Employee Related Expenditure			
Single Status Gross Salaries	1,741,840	52,330	1,794,170
Single Status Employers Superann	404,560	39,420	443,980
Single Status Employers NIC	196,920	(9,580)	187,340
Single Status Overtime	20,720	(18,520)	2,200
Long service award	800	(800)	-
Conference Expenses And Subsistence	2,500	100	2,600
Superannuation Annual Charges	19,000	400	19,400
Recruitment Expenses	500	0	500
Staff Training	10,620	8,790	19,410
Vacancy Management	(15,000)	(65,000)	(80,000)
Employee Related Expenditure	2,382,460	7,140	2,389,600
Premises Related Expenditure			
Annual Maintenance External Providers	7,130	(4,780)	2,350
Service requested building repairs	8,100	(6,600)	1,500
Service Charge	20,750	4,510	25,260
Cleaning & Hygiene Materials	1,390	(1,190)	200
Window Cleaning	360	0	360
Gas	7,160	(5,500)	1,660
Electricity	12,800	(2,300)	10,500
Rents	85,000	(37,830)	47,170
Rates	46,300	(5,310)	40,990
Water Charges	4,300	(3,580)	720
Property Insurance	1,590	(180)	1,410
Cleaning Services Internal recharge	14,170	(5,010)	9,160
Premises Related Expenditure	209,050	(67,770)	141,280
Transport Related Expenditure			
Staff Travel	12,000	(4,500)	7,500
Transport Related Expenditure	12,000	(4,500)	7,500
Supplies & Services Expenditure			
Purchase Of Furniture	-	0	-
Storage & Removals	-	2,550	2,550
General Consumables	250	0	250
Equipment Maintenance	940	(70)	870
Medical Supplies	150	0	150
Hospitality	1,000	0	1,000
Uniforms & Clothing	400	0	400
Office Equipment - Rental	5,400	50	5,450
Printing & Photocopying	3,000	(1,000)	2,000
Stationery	300	0	300
Publications	12,000	(670)	11,330
Advertising - General	4,000	(3,000)	1,000
Insurance	11,270	1,620	12,890
Postages	148,000	0	148,000

Central Scotland Valuation Joint Board - Proposed Budget 2023/24

	2022/23 Approved Budget	Budget Changes	2023/24 Proposed Budget
	£	£	£
Supplies & Services Expenditure continued			
Legal Expenses	27,000	(3,500)	23,500
Subscriptions	580	0	580
Telephones	10,340	(3,400)	6,940
Mobile Telephones	8,170	1,170	9,340
Computer Hardware Purchase	9,600	(700)	8,900
Disaster Recovery	22,370	(4,570)	17,800
Computer Software Maint.	127,470	(11,060)	116,410
Computer Peripherals	500	0	500
Supplies & Services Expenditure	392,740	22,580	370,160
Third Party Payments			
Other Local Authorities	12,550	(700)	11,850
Payments To Contractors	3,850	(210)	3,640
Audit Scotland	7,770	1,030	8,800
Third Party Payments	24,170	120	24,290
Support Services			
Accountancy	34,470	1,030	35,500
Human Resources	25,140	760	25,900
Legal	16,770	500	17,270
Corporate Services	12,580	0	12,580
Support Services	88,960	2,290	91,250
TOTAL GROSS EXPENDITURE	3,109,380	85,300	3,024,080
Income			
Income Government Revenue Grant	0	0	0
Charges for Services Standard VAT	(11,700)	2,200	(9,500)
Income	(11,700)	2,200	(9,500)
NET EXPENDITURE	3,097,680	(83,100)	3,014,580
		Decrease	-2.7%
		Employee Costs	79%