

Item: 5

Orkney and Shetland Valuation Joint Board: 28 September 2023.

Revenue Expenditure Outturn.

Report by Treasurer of the Board.

1. Purpose of Report

To advise on the revenue budget outturn position for financial year 2022/23 in respect of the Orkney and Shetland Valuation Joint Board.

2. Recommendations

The Board is invited to note:

2.1.

The revenue financial summary statement in respect of the Orkney and Shetland Valuation Joint Board, for the period 1 April 2022 to 31 March 2023, attached as Annex 1 to this report, reporting a balanced budget position.

The Board is invited to scrutinise:

2.2.

The explanations given and actions proposed in respect of significant budget variances as outlined in the Budget Action Plan, attached as Annex 2 to this report, together with further detail provided in section 4.3 of this report, in order to obtain assurance that action was taken with regard to significant budget variances.

3. Background

3.1.

On 3 March 2022, the Board set its balanced budget for financial year 2022/23, which forms the basis of this revenue expenditure monitoring report.

3.2.

In terms of revenue spending, at an individual cost centre level, budget holders are required to provide an explanation of the causes of each material variance and to identify appropriate actions to remedy the situation.

3.3.

Material variances are identified automatically as Priority Actions within individual budget cost centres according to the following criteria:

- Variance of £10,000 and more than 110% or less than 90% of anticipated position (1B).
- Not more than 110% or less than 90% of anticipated position but variance greater than £50,000 (1C).

3.4.

The figures quoted within the Budget Action Plan by way of the underspend and overspend position will always relate to the position within the current month.

4. Financial Summary

4.1.

The financial summary for the period 1 April 2022 to 31 March 2023 is attached as Annex 1 to this report.

4.2.

The Budget Action Plan, attached as Annex 2 to this report, provides an explanation and proposed corrective action for each of the Priority Actions identified.

4.3.

In detail, expenditure on services for the financial year as a whole amounted to £986,928 which, against an approved budget of £956,100, represents an overspend of £30,828, as at 31 March 2023. This can be attributed in the main as follows:

- Staff costs:
 - Overspend of £27,588 can be attributed in the main to salary costs for the pay review and associated backpay, together with costs related to commencement of the new Assessor and Electoral Registration Officer.
- Operating costs:
 - Overspend of £4,810 can mainly be attributed to the increase in travel as operations continue more or less as normal post Covid-19 pandemic. However, there were some savings on Supplies and Services as a result of a reduction in audit and consultancy fees.

4.4.

The net overspend of £30,828 on the Board's activities relative to the approved revenue budget for financial year 2022/23 represents an increase in the requisition to each of the constituent authorities as follows:

- Orkney Islands Council – an increase of £16,818 to £496,218.
- Shetland Islands Council – an increase of £14,010 to £490,710.

5. Financial Implications

There is a requirement for the Board to set a balanced budget each financial year to determine the level of requisition for the Board's constituent authorities and to monitor the revenue spend against this budget during the year.

6. Governance Aspects

The content and implications of this report have been reviewed and, at this stage, it is deemed that the Board DOES NOT require external legal advice in consideration of the recommendations of this report.

7. Contact Officer

Erik Knight, Treasurer to the Board, extension 2127, Email erik.knight@orkney.gov.uk.

8. Annexes

Annex 1: Financial Summary as at 31 March 2023.

Annex 2: Budget Action Plan.

The following tables show the spending position by service function

Orkney & Shetland Valuation Joint Board	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Joint Costs	1C	799.0	727.3	71.7	109.9	727.3
Barclay Review		138.7	132.5	6.2	104.7	132.5
Shetland Costs		48.7	47.2	1.5	103.3	47.2
Orkney Costs		54.2	49.9	4.3	108.7	49.9
Requisition SIC		(490.7)	(476.7)	(14.0)	102.9	(476.7)
Requisition OIC		(496.2)	(479.4)	(16.8)	103.5	(479.4)
Accounting for Pensions	1B	50.0	0.0	50.0	0.0	0.0
Movement in Reserves	1B	(103.8)	(0.8)	(103.0)	12.973.1	(0.8)
Service Total		(0.1)	0.0	(0.1)	0.0	0.0

Annex 2: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R69A	<p>Joint Costs</p> <p>More than anticipated expenditure by £71.7K</p>	Knight, Erik	The main factor is a staff cost variance in this area. This is attributable to having to carry out the revaluation process for Non-Domestic Rates in one-year, and the resultant overtime required to achieve this. Staff budgets do not include an allowance for overtime.	Going forward, ensure overtime should be restricted, if optional, to remain within budgeted levels.
R69N	<p>Accounting for Pensions</p> <p>More than anticipated expenditure by £50.0K</p>	Knight, Erik	No budget is established for movement in Shetland Islands Council Pension Scheme movements. This is a non-controllable area of the VJB cost structure, as the values reflect the vagaries of the financial markets, global economic conditions and actuarial assumptions. This value represents the difference between the interest in Plan Obligations and interest on Plan Assets.	No action required.
R81U	<p>Movement in Reserves</p> <p>More than anticipated income by £103.8K</p>	Knight, Erik	No budget is established for movement in Shetland Islands Council Pension Scheme movements. This is a non-controllable area of the VJB cost structure, as the values reflect the vagaries of the financial markets, global economic conditions and actuarial assumptions. There was a £103.0k movement on the VJB Pension Reserve	No action required.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
			balance. The £0.8k reflects minor movement in accumulated absences (annual leave usage).	