

Item: 7

Orkney and Shetland Valuation Joint Board: 27 March 2025.

Draft Budget 2025/26.

Report by Treasurer to the Board.

1. Purpose of Report

To consider the draft budget for the Orkney and Shetland Valuation Joint Board for financial year 2025/26.

2. Recommendations

The Board is invited to note:

2.1.

The requirement to set a balanced budget and to determine the level of requisition to be sought from the Board's constituent authorities.

2.2.

That the Scottish Government Settlement for 2025/26 allocated 'new money' towards the Barclay Review Implementation of £2,000 for each constituent local authority, increasing total funding to £74,000 for each, or a total of £148,000.

2.3.

That the draft budget for financial year 2025/26, attached as Appendix 1 to this report, is based on a standstill position, subject to pay and inflationary costs pressures and broadly follows the strategies adopted by the constituent authorities.

2.4.

That, should the draft budget be approved, this would result in a requisition to each constituent authority as follows:

- Orkney Islands Council – £576,250, representing an increase of £64,950 or 12.7% on the previous year's requisition.
- Shetland Islands Council – £565,850, representing an increase of £64,650 or 12.9% on the previous year's requisition.

It is recommended:

2.5.

That the draft budget for 2025/26, attached as Appendix 1 to this report, be approved.

3. Background

3.1.

The Orkney and Shetland Valuation Joint Board is required to set a balanced budget and to determine the level of requisition to be sought from its constituent authorities.

3.2.

The proposed budget supports delivery of Corporate and Service plans for the range of functions and services for which the Board has responsibility. This link also provides assurance to the constituent authorities that the activities of the Board meet their expectations and achieve best value.

3.3.

If a realistic, affordable budget is not set, there is a risk that the Board will be unable to fulfil its statutory duties should insufficient funding be requisitioned from constituent authorities.

4. Draft Budget for financial year 2025/26

4.1.

The draft budget is based on a standstill position, subject to pay and inflationary costs pressures and broadly follows the strategies adopted by the constituent authorities.

4.2.

The budget proposals, can be summarised in the table below:

2024/25 Budget	£1,012,500
Growth and/or Income Reduction	£129,600
Savings and/or New Income Generation	£nil
2025/26 Draft Budget	£1,142,100

4.3.

The following provides an explanation of growth:

- Staff costs include a 11.1% increase. This reflects the 2023/24 pay award of 6.5% which was omitted in error when setting the 2024/25 staff budget (see section 5), a 1.6% increase to reflect the actual 2024/25 pay award which was under budgeted in 2024/25, and an allowance of 3% for 2025/26.
- Staff Costs also include the additional cost of National Insurance contributions, with the rate rising from 13.8% in 2024/25 to 15.0% in 2025/26, in addition to the reduction in the secondary threshold from £9,100 to £5,000.
- Staff Costs also reflect potential staff promotions.
- Some overtime is also anticipated as the 2026 Non-domestic rates revaluation is carried out.
- All other costs are inflated by a factor of 2% in an attempt to cover increased cost pressures across all budget areas.

4.4.

A revenue budget of £163,700 is proposed in respect of Barclay Review Implementation costs for financial year 2025/26. This cost is partially covered by the increased funding of £2,000 received by each constituent local authority from the Scottish Government for this financial year, for the implementation of the review. Total funding for the Barclay Review is now £74,000 for each local authority, or £148,000.

4.5.

Attached as Appendix 1 to this report is the draft budget for financial year 2025/26, estimated at £1,142,100, representing an increase of £129,600 or 12.8% over the 2024/25 budget. If approved, this would result in a requisition to each constituent authority as follows:

- Orkney Islands Council – £576,250, representing an increase of £64,950 or 12.7% on the previous year's requisition.
- Shetland Islands Council – £565,850, representing an increase of £64,650 or 12.9% on the previous year's requisition.

5. Financial Implications

5.1.

The increase in requisition amount is significant. This is further highlighted by a timing error in the extraction of the 2024/25 staff budget data which failed to include the 2023/24 pay award. The reduction in staff costs was not noted at the time due mainly to the expectation that staff costs would fall as a result of the decrease in the pension contribution rate from 36.0% to 27.7%.

5.2.

This error reduced the impact of the 6.5% 2023/24 pay award in setting the prior year staff budget, which was further compounded by the 3.6% actual pay award in 2024/25, of which only a 2% increase was included in the 2024/25 budget. With staff costs amounting to 83% of the Board budget, this increase in salaries accounts for ~£68,000 of the total budget increase.

5.3.

A further ~£16,000 can be attributed to the change in the employer's National Insurance rate. An additional £10,000 has been included in 2025/26 to account for anticipated overtime for the Non-domestic rates revaluation, and a further £30,000 has been added to reflect the anticipated qualification of the apprentice/graduate valuers. The following table summarises the change in requisition.

Salary increases / correction	£68,600
NIC changes	£16,000
Anticipated overtime	£10,000
Potential staff promotions	£30,000
General price increases	£5,000
TOTAL	£129,600

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

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8. Appendix

Appendix 1: Draft Revenue Budget for financial year 2025/26.

Appendix 1

Income & Expenditure Summary	2024/25 Restated Budget £	2025/26 Core Budget £	2025/26 Barclay Review £	2025/26 Proposed Total Budget £	Budget v Proposed (Adv)/Pos £
EXPENDITURE:					
Staff Costs	825,100	820,800	129,000	949,800	(124,700)
Property	60,700	61,900	-	61,900	(1,200)
Supplies and Services	81,800	55,500	27,900	83,400	(1,600)
Transport	23,700	20,100	4,100	24,200	(500)
Administration	43,800	42,100	2,700	44,800	(1,000)
Apportioned Costs	30,800	31,400	-	31,400	(600)
TOTAL EXPENDITURE	1,065,900	1,031,800	163,700	1,195,500	(129,600)
INCOME:					
Fees and Charges	(53,400)	(53,400)	-	(53,400)	-
TOTAL INCOME	(53,400)	(53,400)	-	(53,400)	-
NET EXPENDITURE	1,012,500	978,400	163,700	1,142,100	(129,600)
CHARGE TO CONSTITUENT AUTHORITIES:					
Orkney Islands Council	(511,300)	(494,400)	(81,850)	(576,250)	64,950
Shetland Islands Council	(501,200)	(484,000)	(81,850)	(565,850)	64,650
TOTAL CHARGE TO CONSTITUENT AUTHORITIES:	(1,012,500)	(978,400)	(163,700)	(1,142,100)	129,600