Item 4
29th August 2024

West of Scotland Archaeology Service

Joint Committee

Report by WoSAS Manager

Contact: Hugh McBrien Tel.: 0141 287 8332

Service Financial Programme 2024-2025

Purpose of Report:

To advise Members of the projected income and operating costs of the Service in the next financial year.

Recommendations:

Members are asked:

- That this report be noted;
- That the Committee agree the budget proposed for 2024/2025 as shown on the attached financial programme (Annex 1).

***PLEASE NOTE THE FOLLOWING**:*

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1. BACKGROUND

1.1 Pending finalisation of an updated legal agreement between member councils regarding the longer-term structure and funding of the Joint Service, a series of one-year financial programmes for the Service have been submitted to the Joint Committee. Each year, in order to reduce unspent financial reserves in line with the recommendations of external auditors, the Committee has approved a budget which predicted a modest operating deficit, which was to be met from existing financial reserves.

1.2 Compared to the approved budgets, lower than predicted expenditure on operating contingencies and reduced salary payments to a staff member working to a temporarily reduced work pattern have resulted in an annual operating surplus, or a lower than predicted operating deficit. This has resulted in unintended increases in the Service's retained financial reserves.

1.3 In recognition of the challenging budgetary pressures on local authorities, Member Council financial contributions to the costs of providing the Service have been held frozen in absolute terms since 2011. Rising salary costs have been offset by efficiency savings, changes to the operation of the Service, and increased fee-earning from external commercial sources under the terms of the Service's Access to Information and Charging Policy.

1.4 The host authority's ongoing process of reviewing its pay and benefits structure has still to reach its conclusion, and until that point it will not be possible to establish base-level salary and on-costs for the existing Service staff within the current Service structure, nor to predict those costs for any alternative Service structure which may be proposed in future.

2. CURRENT FINANCIAL SITUATION

2.1 As was estimated in the proposed budgets set out in recent years' Financial Programmes, fee-earning from external commercial sources has returned to pre-Covid levels, and current projections indicate that this level of demand is likely to continue, subject to the fluctuations in the construction sector linked to the overall economic climate.

2.2 The Service staff member who had been working to a reduced personal work pattern requested that he be allowed to take early retirement. The Manager and the host authority are content that subject to successful recruitment of a full-time replacement staff member, this is likely to have a long-term positive impact on the operation of the Service and on the age profile of the staff, but will increase actual outgoing salary costs when the new post-holder takes up a five-day work pattern.

2.3 While it is expected that recruitment of a full-time replacement staff member will increase actual salary costs at financial year end in comparison to recent years, the removal of the financial uncertainties arising from a staff member working to a temporarily reduced work pattern will allow improved budget planning and will assist in the recommended reduction in the level of the Service's financial reserves in a more controlled and predictable manner.

3. FUTURE FINANCIAL PROJECTION

3.1 The planning services of the member Councils have still to conclude discussions to assess the legacy impact of the Covid-19 pandemic on service resilience, and the needs of their authorities following the introduction on National Planning Framework 4 (NPF4) before determining the resource requirements necessary for a revised Service Level Agreement to be delivered sustainably by the Service.

3.2 Until the overall resource requirements of the preferred service delivery option have been agreed, it would be inappropriate to pre-empt discussions on future financial contributions from the member councils for the revised Service. Consequently, a budget for financial year 2024-25 is proposed for the Committee's consideration.

3.3 The proposed budget for the financial year 2024-25 set out in Annex 1 predicts a budget deficit of £14,028, to be met from the Service's retained financial reserves. The WoSAS audited accounts for 2023-24 recorded retained reserves of £148,920 going into the current financial year.

3.4 The predicted budget deficit assumes that fee-earned income will continue at levels referred to in paragraph 2.1 above, and allows for increased costs associated with the national pay settlement. It also assumes that staff changes due to the matters referred to in paragraphs 2.2 and 2.3 above, will be resolved through a speedy recruitment process to allow the Service to continue to deliver the roles and functions it currently provides to Member Councils as set out in Annex 2. On that basis, the estimated retained financial reserves at the start of the 2025-26 year will be approximately £134,892.

3.5 The proposed budget for 2024-25, including the predicted deficit, would leave the Service's reserves at financial year end at an estimated level representing 131% of the figure proposed as appropriate in the WoSAS Reserves Policy Annual Review 2024. Advance budget projections which assume a successful recruitment process to fill the staff vacancy indicate that projected deficits will rise more sharply in subsequent years, and at a level which is likely to require further action in the sort to medium term to ensure stable delivery of current roles and functions in the future while maintaining financial reserves at the recommended level.

4. POLICY AND RESOURCE IMPLICATIONS

Resource Implications:

Financial:	Implementation of the proposed budget will be subject to continuous monitoring and will be reported back to Committee.
Legal:	The forthcoming revision of the legal Minute of Agreement by the Legal Services of Member Councils, and the proposed changes arising from those revisions will be reported back to Committee.
Personnel:	The proposed budget allows for the recruitment of a staff member to fill the current vacancy.
Procurement:	None.

Business Plan Objectives:

Maintain and update the HER:	Will continue to be met within the proposed budget.
Provide DM advice to Planning Officers:	Will continue to be met within the proposed budget.
Provide forward planning advice to councils:	Will continue to be met within the proposed budget.
Facilitate sustainable development:	Will continue to be met within the proposed budget.
Represent the interests of councils in consultations:	Will continue to be met within the proposed budget
Provide HER information to researchers and public:	Will continue to be met within the proposed budget

5. RECOMMENDATIONS

5.1 Members are asked:

- That this report be noted;

- That the Committee agree the budget proposed for 2024/25 as shown on the attached financial programme (Annex 1).

HMcB
West of Scotland Archaeology Service
22 March 2024

Updated
21 June 2024

and
22 August 2024