Item 4

24th February 2023

West of Scotland Archaeology Service

Joint Committee

Report by WoSAS Manager

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Service Financial Programme 2023-2024

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 2023/2024 as shown on the attached financial programme (Annex 1).

***PLEASE NOTE THE FOLLOWING**:*

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1. BACKGROUND

1.1 Pending finalisation of a new Minute of 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, 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 unspent operating contingencies and reduced salary payments to a staff member working to a temporarily reduced work pattern have resulted in annual operating surpluses. On each occasion, these surpluses have been carried forward into 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 since 2011. This has been possible because 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 is approaching its conclusion, which will establish base-level salary and on-costs for the existing Service staff within the current Service structure. It is hoped that this process will be completed in the current calendar year.

1.5 Following a review of staff responsibilities and operations following the introduction of the RTPI award-winning Archaeological Impacts Management System in 2014, a long-standing re-grading of the Service's Historic Environment Record Officer post within the GCC salary structure was resolved. The concomitant increase in salary costs is expected to lie within the range of budgetary surpluses which have been achieved both pre-and post-Covid.

2. CURRENT FINANCIAL SITUATION

2.1 As was estimated in the proposed budget set out in last year's Financial Programme, fee-earning from external commercial sources appear to have returned to pre-Covid levels, and current projections indicate that this level of demand is likely to continue, subject to the fluctuations arising from the overall economic climate.

2.2 An incident during a planned IT upgrade to the host authority's financial records handling and transaction processing systems has resulted in a continuing interruption to the normal financial monitoring and reporting

systems available to the Service including invoicing and payroll data. The internal financial reports available up to the time of the IT systems failure indicated that external fee-earning was in line with predictions, and subsequent demand experienced by staff for fee-earning services has continued at the expected level.

2.3 The staff member working to a reduced work pattern has requested that he be allowed to continue with his current work pattern. The Manager and the host authority's HR staff are content that this will have no adverse impact on the current operation of the Service. A continuation of the current staff working patterns will help to stabilise the pattern of annual expenditure for the Service during the ongoing review of future service provision to member Councils.

3. FUTURE FINANCIAL PROJECTION

3.1 The prioritisation of service provision during the Covid-19 pandemic and the subsequent changes to working practices meant that work on the recommendations to the Committee for future service provision was suspended within the Service and the member Councils. The planning services of the member Councils will need further discussions to assess the legacy impact of the pandemic on service resilience, and the likely 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. In addition, the ongoing financial reporting IT issues within the host authority have introduced further temporary uncertainty to budgetary projections for the next financial year. Consequently, a budget for financial year 2023-24 is proposed for the Committee's consideration.

3.3 The proposed budget for the financial year 2023-24 set out in Annex 1 predicts a budget deficit of £36,181, to be met from the Service's retained financial reserves. The WoSAS audited accounts for 2021-22 recorded retained reserves of £163,428 going in to the current financial year.

3.4 The currently available budgetary monitoring for the financial year to date indicates a recovery in fee-earned income to pre-Covid levels as referred to in paragraph 2.1 above. This, combined with the alterations to staff costs associated with the national pay settlement and the matters referred to in paragraphs 1.5 and 2.3 above, indicates that it is likely that there will be an operating surplus of approximately £2,000 at financial year end. On that basis,

the estimated retained financial reserves at the start of the 2022-23 year will be approximately £165,400.

3.5 The proposed budget for financial year 2023-24, including the predicted deficit would leave the Service's reserves at financial year end at an estimated level representing 138% of the figure proposed as an appropriate financial reserve in the most recent Annual Review of the WoSAS Reserves Policy, and at a level which is likely to require further reduction in the future.

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:	None.
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 2023/24 as shown on the attached financial programme (Annex 1).

HMcB
West of Scotland Archaeology Service
17 Febraury 2023