



AGENDA ITEM 4

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: Draft Revenue Budget 2017/18
Meeting: Central Scotland Valuation Joint Board
Date: 17th February, 2017
Author: Joint Report by Treasurer and Assessor

1. Introduction and Summary

- 1.1 This report presents the Draft Revenue Budget for Central Scotland Valuation Joint Board for the financial year 2017/18.
- 1.2 The report details the budget estimates for consideration and makes recommendations on the allocation of the net costs to Falkirk, Stirling and Clackmannanshire Councils.
- 1.3 The Assessor & Electoral Registration Officer 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.
- 1.4 During 2016/17 the second full annual canvass under Individual Electoral Registration was carried out with large volumes of compulsory form distribution and personal visits due to the very prescriptive nature of the legislation. Throughout the year, the Assessor and ERO has built upon the information gained from both the 2015/16 and 2016/17 canvasses to provide a solid basis for the 2017/18 budget.
- 1.5 Within the broader public sector context of reductions in grant funding, and in line with the commitment given when the Budget was set for 2016/17 the Assessor and ERO has, throughout 2016/17, worked with his Management Team and the Treasurer to identify efficiencies and savings in the operating costs of the Board. This review activity, focused on delivering a sustainable cost base for the future. The planned restructure has now been completed allowing greater flexibility of working.
- 1.6 As indicated in January 2016, the Treasurer has reviewed the Board's Reserves. Reserve levels are above minimum, however there are potentially

significant emerging pressures which need to be considered, particularly that in respect of the Employers Pension Contribution which is due to be revised in 2018. On this basis, it is recommended that the 2017/18 uncommitted reserve level is increased to 6%, with a more detailed review of the Board's position to be undertaken during 2017/18.

- 1.7 The report details the projected reserves to the 31st March 2017. The closing position represents an uncommitted reserve level of £274,960 this is 4.6% above the minimum recommended reserves of £155,100. This position will continue to be reviewed annually to ensure reserve levels remain adequate but not excessive.
- 1.8 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.
- 1.9 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:
 - certainty of the levels of future funding streams from both the Constituent authorities and the Cabinet Office
 - the ability of the Board to make year on year reductions in its net expenditure at the same time as the Assessor and ERO is implementing the highly prescriptive IER system, the reintroduction of Shooting Rights and Deer Forests into the Valuation Roll and dealing with the appeals arising from the 2017 Revaluation when 74.7% of the Valuation Board's net expenditure is on the cost of employment
 - new emerging financial pressures such as that for Employers Pension Contribution
 - potential additional unplanned work arising from the amendments to the Council Tax ratios and ongoing Barclay review of the Non Domestic Rates system.
- 1.10 Due to the ongoing risks detailed above it is recommended to create a Spend to Save fund and a Property Maintenance Fund. Earmarking reserves of £60,000 for the Spend to Save Fund enabling the Assessor and ERO to review working practices and achieve efficiencies for future years. Suggested areas to be reviewed are:
 - electronic storage of documents reducing the need for storage in the property. This also fits with the records management policy and provides staff with efficient access to information.
 - Mobile technology to improve canvasser efficiency.

A Property Maintenance Fund of £130,000 allowing the Assessor and ERO to maintain the property to a suitable level to enable the review of appropriate accommodation in line with the lease renewal in 2023.

2. Draft Revenue Budget 2017/18

- 2.1 The summary of the Draft Revenue Budget for the Valuation Joint Board is attached as Appendix A.
- 2.2 The Draft Budget has been prepared on the basis of the Valuation Board's staffing structure implemented during 2016/17 and a carry forward of the current year's non-staffing budgets, with appropriate adjustments for known variations. The proposed budget reflects a decrease in expenditure of 1.3% (£35k) which is consistent with the Board's stated ambition to reduce its expenditure to sustainable levels.
- 2.3 A summary of the main changes from the 2017/18 budgets is included at Table 1.

Table 1: 2017/2018 Budget Adjustments Summary

Item		Adjustment Value £	Explanation
Salary variations	↓	(12,180)	Removal of Post VS saving and adjustments for Pension contributions
Overtime	↓	(22,500)	Reduction on last year as it was a revaluation year.
Training	↓	(13,000)	Training in line with training plan.
Property Repairs & Maintenance	↓	(2,500)	Reduced in line with previous spend
Rates	↓	(24,070)	Revised budget based valuation.
Publications	↑	1,500	Increase to meet current requirements
Staff Mileage	↓	(5,000)	Reduced in line with expected valuation and canvass work.
Disaster Recovery	↓	(4,500)	Reduced in line with new contract.
Computer Software Maintenance	↑	12,000	Increase due to additional PSN costs.
Legal Expenses	↑	3,000	Increased due to anticipated referral of cases to the Lands Tribunal and Lands Valuation Appeal Court.
Postage	↑	10,000	Increase due to IER
Inflation increases	↑	19,279	See table 2.below
Income	↑	3,000	Reduced in line with current allocation
Miscellaneous	↓	(199)	Small adjustments across budget areas
TOTAL	↓	(35,170)	Reduction of 1.3%

- 2.4 Inflation has been applied where there is a specific or contractual requirement. A summary of the inflation rates applied in setting the 2017/18 Budget is provided at Table 2 below.

Table 2: 2017/2018 Budget Inflation rates

Item	%	Adjustment Value £
Pay Award	+1.0%	12,810
Superannuation	+1.5%	3,940
NIC	+1.0%	1,150
Cleaning	+1.25%	198
Property Insurance	+1.60%	42
Support Services	+1.25%	1,011
Equipment Maintenance	+1.60%	128
TOTAL		19,279

3. Indicative Funding to 2017/2018

- 3.1 It is anticipated that by 2019/20, there will be a funding gap of over £444,570 (see Table 4) for the Board. This funding gap assumes:
- there will be an annual reduction in funding from councils of 2% per annum.
 - pay inflation will remain at 1% per annum over this period
 - no assumed demand pressures for new/changes in activity in future year
 - The Cabinet Office will continue to fund the extra costs brought about by the introduction of IER.
- 3.2 Currently we are working on the basis of a 2% reduction in funding from Constituent Authorities in future years. Most Local Authorities are expecting a reduction in their funding of 5%. If this reduction was passed to the Board the impact on the funding shortfall would increase by £216,630 to £661,200 by 2019/20.
- 3.3 Given the significant degree of continuing uncertainty which exists with respect to many of these assumptions, they will be kept under review, updated and regularly reported to the Board during the year as further information is available as part of regular outturn reporting.

Table 4: Indicative Funding gap 2017/18 to 2019/20

Central Valuation Joint Board - Funding Assumptions	2017/18 Draft £	2018/19 Indicative £	2019/20 Indicative £
Funding Assumption - per settlement	(2,464,520)	(2,415,230)	(2,366,925)
Funding From Reserves	(119,850)		
Funding Requirements - per known inflationary pressures	2,584,370	2,603,970	2,622,755
Annual Funding Shortfall / (Surplus)	0	188,740	255,830
Cumulative Shortfall / (Surplus)	0	188,740	444,570

- 3.4 It is proposed that the 2017/18 funding gap of £119,850 is funded from uncommitted reserves. There is the potential that some or all of this contribution from reserves can be reimbursed if additional funding from Cabinet Office can be secured as in previous years.

4. Reserves

- 4.1 As at 31 March 2016 the Board had reserves of approximately £880,800. Of this total, £594,700 were earmarked for a specific use during the 2016/17 financial year, giving a usable reserve of £286,100. The usable reserve is expected to increase by £238,700 31 March 2017 due to the anticipated 2016/17 underspend (£104,000), the release of earmarked reserves (£134,700) which were not required in the year.
- 4.2 Given the projected indicative funding gap up to 31st March 2020, the Treasurer has proposed that the minimum uncommitted reserve level is increased to 6% which this equates to £155,100 in 2017/18. This position will be reviewed annually.
- 4.3 It is proposed to fund the budget shortfall of £119,850 (2017/18), Spend to Save Fund of £60,000 and Property Maintenance Fund of £130,000 from reserves. This will leave a total of £524,800 reserves (£249,850 earmarked, £274,960 uncommitted) compared with the minimum level of uncommitted reserves required of £155,100 which equates to 10.6% of expenditure.

5. Requisitions

- 5.1 The cost for financial year 2017/18 that requires to be allocated amongst the constituent authorities is £2,464,520.
- 5.2 On the basis of the draft budget the requisition is detailed in Table 5 below:
Table 5:2017/18 proposed Requisitions

	Requisition
	£
Falkirk	1,214,515
Stirling	868,990
Clackmannanshire	381,015
Total	2,464,520

6. Recommendations

The recommendations arising from this report are that the Valuation Joint Board:-

- (i) Formally approves the Valuation Joint Board's Revenue Budget for 2017/18, as detailed in Appendix A.
- (ii) Agrees the Treasurer's recommendation to increase the minimum level of reserves to 6% of net revenue expenditure.
- (iii) Agrees the Spend to Save and Property Maintenance Funds are created from reserves to allow the Board to reduce expenditure in future years.
- (iv) Agrees to requisition the constituent authorities for their share of the net expenditure as outlined in Table 5 above.

.....

Assessor/Electoral Registration Officer

.....

Treasurer

Date: 9th February, 2017

LIST OF BACKGROUND PAPERS

1. Budget working papers (these are available from the Treasurer Tel 01259 452058)

				Appendix A
Budget for Central Scotland Valuation Joint Board 2017/18				
	2016/17 Budget	Variations	Other Inflation	2017/18 Final Budget
	£	£	£	£
Employee Related Expenditure				
SS Salaries	1,373,242	2,243		1,375,485
SS Eers Sup	287,673	1,672		289,345
SS Eers NIC	137,216	802		138,018
SS Overtime	37,500	(22,500)		15,000
Man Relief Sal	55,259	(2,867)		52,392
Man Relief NIC	0	3,870		3,870
Long Serv Award	500			500
Childcare Vouch	1,500	(1,150)		350
Confer & Subs	2,000	500		2,500
Sup Annual Chg	26,260			26,260
Recruitment Exp	2,000			2,000
Staff Training	39,000	(13,000)		26,000
Employee Related Expenditure	1,962,150	(30,430)	0	1,931,720
Premises Related Expenditure				
An Main Ext Pro	17,500	(2,500)		15,000
Service Charge	18,500	750		19,250
Clean Hyg Mater	1,500			1,500
Window Cleaning	360			360
Gas	4,420			4,420
Electricity	12,500			12,500
Rents	85,000			85,000
Rates	68,350	(24,070)		44,280
Water Charges	8,260			8,260
Prop Insurance	2,640		42	2,682
Clean Int Rechg	15,850		198	16,048
Premises Related Expenditure	234,880	(25,820)	240	209,300
Transport Related				
Staff Travel	32,000	(5,000)		27,000
Transport Related Expenditure	32,000	(5,000)	0	27,000
Supplies & Services Expenditure				
Purc Furniture	500	250		750
Equip Maintenac	8,000		128	8,128
Equip Insurance	500			500
Hospitality	2,000			2,000
Unifor Clothing	300			300
OEquip Rental	2,000			2,000
Print Photocopy	18,500			18,500
Stationery	15,000			15,000
Publications	5,000	1,500		6,500
Advert General	5,000			5,000
Insurance	13,600	(1,500)		12,100
Postages	170,000	10,000		180,000
Legal Expenses	17,000	3,000		20,000
Supplies & Services Sub Total	257,400	13,250	128	270,778

Budget for Central Scotland Valuation Joint Board 2017/18				
	2016/17 Budget	Variations	Other Inflation	2017/18 Final Budget
	£	£	£	£
Supplies & Services (Centralised IT)				
Telephones	9,000			9,000
Mobile Phone	0	1,000		1,000
Comp Hware Purc	5,000			5,000
Disast Recovery	17,000	(4,500)		12,500
Comp Hware Main	2,400	200		2,600
Comp Sware Purc	6,000			6,000
Comp Sware Main	100,500	12,000		112,500
Comp Peripherals	1,000			1,000
Supplies & Services (Centralised)	140,900	8,700	0	149,600
Total Supplies & Services	398,300	21,950	128	420,378
Third Party Payments				
Oth Local Auth	6,100		76	6,176
Pay Contractors	1,000	1,000		2,000
Audit Scotland	8,250	(1,250)		7,000
Third Party Payments	15,350	(250)	76	15,176
Support Services				
Accountancy	30,980		387	31,367
Human Resources	22,590		282	22,872
Legal	15,070		188	15,258
Corporate Services	6,220		78	6,298
Support Services	74,860	0	936	75,796
TOTAL GROSS EXPENDITURE	2,717,540	(39,550)	1,380	2,679,370
Income				
Inc Gov Cap Gnt	(94,000)	3,000		(91,000)
Charges Std VAT	(1,000)			(1,000)
Other Income	(3,000)			(3,000)
Income	(98,000)	3,000	0	(95,000)
NET EXPENDITURE	2,619,540	(36,550)	1,380	2,584,370
		Reduction		-1.3%
		Employee Costs		74.7%