

AGENDA ITEM 4

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: Proposed Revenue Budget 2020/21
Meeting: Central Scotland Valuation Joint Board
Date: 20th March, 2020
Author: Joint Report by Treasurer and Assessor

1. Introduction

- 1.1 This report presents the Proposed Revenue Budget for Central Scotland Valuation Joint Board for the financial year 2020/21.
- 1.2 The report details the budget estimates for consideration and makes recommendations on the required requisition from Falkirk, Stirling and Clackmannanshire Councils.

2. Recommendations

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

- Formally approves the Valuation Joint Board's Revenue Budget for 2020/21, as detailed in Appendix A;
- Agrees the Treasurer's recommendation to maintain the minimum reserves policy level of 3% to 6% of net revenue expenditure;
- Agrees the Property Maintenance Funds and 19/20 Barclays underspend are earmarked from reserves, and
- Agrees to requisition the constituent authorities for their share of the net expenditure as outlined in Table 4.

3. Background

- 3.1 The Assessor & Electoral Registration Officer (ERO) 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. The Board has a statutory duty to fund the Assessor and ERO to carry out his duties.

- 3.2 The UK and Scottish Governments have legislated to reform the annual canvass and these reforms commence with the annual canvass beginning on 1 July 2020. The new system will allow the ERO to match the Register to Department of Work & Pensions (DWP) records and also to trusted local data sets e.g. Council Tax Data. For those households where all the electors match the household will receive a single communication with no required follow up activity. For those households where not all electors matched they will receive more than one communication and an attempt at personal contact must be made. It is anticipated that this will reduce the printing costs and the number of household budgets. Therefore the Cabinet Office have not provided additional funding this year. The proposed budget reflects these changes. This year will also see the enfranchisement of prisoners serving sentences of 12 months or less and all foreign nationals resident in Scotland other than asylum seekers
- 3.3 The Assessor & ERO and the VJB are Data Controllers for personal data and thus have to ensure that they continue to meet Data Protection requirements and are sufficiently resourced to meet those requirements.
- 3.4 Within the broader public sector context of reductions in grant funding, and in line with the commitment given when the Budget was set for 2019/20, the Assessor and ERO has, throughout 2019/20, worked with his Management Team and the Treasurer to identify efficiencies and savings in the operating costs of the Board. This review activity has focused on delivering a sustainable cost base for the future. Significant progress has been made with digitising paper records with all Council Tax records transferred. Work is ongoing with other records. This will allow the Board greater flexibility when it reviews its accommodation requirements ahead of the lease in expiry in 2023.
- 3.5 The tablet solution for electoral visits will continue to be utilised. Share Point continues to be rolled out across the organisation and we are continuing to develop digital transfers of planning and building warrant data to ensure more efficient ways of working and better records management. Work is ongoing to improve the efficiencies in the Assessor's computer system to facilitate the constant flow of rental information and associated analysis required to deliver three yearly revaluations.
- 3.6 As in previous years the Treasurer has reviewed the Board's Reserves and future years' pressures.

The Scottish Government announced in its Local Government Finance Circular 1/2020 that it was making available £4.922m Scotland wide for the implementation of the Barclay Review through constituent authorities. It is proposed that the additional indicative costs brought about by the requirements of the Barclay Review are to be 100% funded by an increase in requisition from the constituent authorities. For financial year 2020/21 this amounts to £277,000.

As a consequence of this review, the Treasurer recommends the reserves policy level remains in the range of 3% to 6% to allow for flexibility across

funding years. The report details the projected reserves to the 31st March 2021. The closing position represents an uncommitted reserve level of £140,810 which equates to 4.8%. This position will continue to be reviewed annually to ensure reserve levels remain adequate but not excessive in light of known pressures and future forecasts.

- 3.6 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.
- 3.7 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 over the level of future funding streams from the constituent authorities;
 - 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 dealing with the 17% increase in revaluation appeals at the 2017 Revaluation compared to the 2010 Revaluation, preparing for revaluations to occur every three years rather than every five years at present when 76.5% of the Valuation Board's net expenditure is on the cost of employment. The new Non Domestic Rates Bill provides for the imposition and collection on Civil Penalties, it is envisaged that initially this will increase the work of the organisation, and
 - The ability of the Board to retain and recruit qualified staff. The move to three yearly revaluations will require additional staff resources.
- 3.8 There is an indication that there may be a requirement to return unspent Barclays funding of £(7,090) to the Scottish Government. To date this has not been confirmed but it is prudent to prepare for that scenario. Therefore this amount has been included within the committed reserves for 2020/21. If it is confirmed that there is no requirement to repay the funding then this will be released to uncommitted General Reserves in 2020/21.
- 3.9 The existing Property Maintenance Fund of £121,910 is also recommended to remain earmarked in setting this Budget. This Fund allows the Assessor and ERO to maintain the existing office accommodation at an appropriate level with a view to undertaking an options appraisal prior to the lease renewal date in 2023. Specific maintenance works along with their associated project timescales will be managed as we move towards the end of the current lease period.

4. Draft Revenue Budget 2020/21

- 4.1 The summary of the proposed Revenue Budget for the Valuation Joint Board is attached as Appendix A.
- 4.2 The proposed Budget has been prepared on the basis of the Valuation Joint Board's staffing structure with a reduction of 1 FTE administration officer post in 2019/20 from a vacancy. The non-staffing budgets have been carried forward from the current year with appropriate adjustments for known variations. The proposed Budget reflects an increase in expenditure of 6.9%, £190,740 which is primarily due to salary inflation and increases for the anticipated budget pressure to implement the Barclay Review. All other pressures have been offset by efficiencies. This is consistent with the Board's stated ambition to maintain its expenditure at sustainable levels.
- 4.3 A summary of the main changes from the 2019/20 budgets is included at Table 1.

Table 1: 2020/2021 Budget Adjustments Summary

Item		Adjustment Value £	Explanation
Salary variations	↓	(24,860)	Reduction of 1 FTE Admin Officer and in year changes for new starts/leavers
Barclay	↑	113,320	See Table 3 below
Canvassers	↓	(30,190)	Removal of Canvasser budget due to Canvass Reform and withdrawal of IER Cabinet Funding
Superannuation Annual Charges	↓	(4,240)	In line with current monthly charges
Training	↓	(3,000)	Training in line with training plan.
Vacancy Management	↑	10,000	Reduced from last year in line with current recruitment plan
Property Repairs & Maintenance	↓	(1,110)	In line with current contracts and spend
Rates	↑	930	Current spend and assumed inflation
Recruitment	↓	(1,000)	Reduced in line with recruitment plan
Staff Mileage	↓	(3,000)	In line with current spend
Postage	↓	(15,000)	Reduced due to Canvass Reform and withdrawal of IER Cabinet Funding
Telephones	↑	1,190	Current spend and assumed inflation

Mobile Telephones	↑	1,870	Increase in number of mobile devices required
Computer Hardware Purchase	↓	(20,000)	No Hardware requirement for 20/21
Computer Software Maintenance	↑	1,200	In line with current contracts and spend
Service charges and Utilities	↑	1,740	In line with current spend and assumed inflation
Salary Inflation increases	↑	69,880	See table 2.below
Income	↑	86,000	Removal of IER Cabinet Funding for Canvass Reform
Payment to Agencies	↑	7,400	Local Engagement Activities
Miscellaneous	↑	(390)	Small adjustments across budget areas
TOTAL	↑	190,740	Increase of 6.9%

4.4 Inflation has been applied where there is a specific or contractual requirement. A summary of the inflation rates applied in setting the 2020/21 Salary Budget is provided at Table 2 below.

Table 2: 2020/21 Salary Budget Inflation rates

Item	%	Adjustment Value £
Pay Award	+3.0%	44,100
Pay Increments	+ 0.2%	3,360
Superannuation	+0.5%	16,330
NIC	+4.0%(avg)	6,090
TOTAL		69,880

Table 3: Barclay review costs

Description	FTE	19/20 Agreed Costs Value £	20/21 Additional Costs Value £	TOTAL Barclays Value £
Principal Valuer	1	64,370	3,250	67,620
Trainee Valuer	2	49,730	36,050	85,780
Analyst Programmer	1	33,220	18,230	51,450
Upgrade of existing Analyst Programmer	1	6,850	1,150	8,000
Admin Officer	1		25,180	25,180
Overtime			32,570	32,570
Assessment of Professional Competency Fees			1,370	1,370
IT Software		10,000	(4,480)	5,520
TOTAL		164,170	113,320	277,490

5. Indicative Funding to 2022/23

- 5.1 It is anticipated that by 2022/23, there will be a cumulative funding gap of £441,781 (see Table 4) for the Board. This funding gap assumes:
- requisitions from constituent authorities will include funding for Barclay review of £277,000 in 20/21, £267,000 in 2021/22 and £300,048 in 2022/23;
 - pay inflation will continue at 3% per annum over this period;
 - employers pension contributions will increase at 0.5% per annum;
 - no assumed demand pressures for new/changes in activity in future year;
 - there will be no funding from Cabinet Office for IER, and
 - average contract inflation of 3%
- 5.2 The Budget is proposed on the basis that the constituent authorities will fund 100% of the demand pressure relating to Barclay review. This will include a reduction in funding required in 2021/22 of £10,300 and increased funding in 2022/23 of £32,800 in line with indicative costs provided to Scottish Government. Recent discussions with the constituent authorities highlight the challenging financial position the Board faces over the next 3 financial years. On this basis, the constituent authorities have agreed to passport the Barclay funding to the Board and also fund the pay award of £70,000 in 2020/21.
- 5.3 As employee costs are 76.1% of the budget and efficiencies have been made over the past few years, there is a need for constituent authorities to fund the inflationary cost pressures for superannuation and pay inflation of £69,880 as shown in table 2. This has been funded from reserves in previous years, but this is no longer sustainable.
- 5.4 In light of 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 2020/21 to 2022/23

Central Valuation Joint Board - Funding Assumptions	2020/21 Draft £	2021/22 Indicative £	2022/23 Indicative £
Funding Assumption - per requisition	(2,811,520)	(2,801,251)	(2,834,078)
Funding From Reserves	(126,750)		
Funding Requirements - per known inflationary pressures	2,938,270	3,004,090	3,073,020
Annual Funding Shortfall / (Surplus)	0	202,839	238,942
Cumulative Shortfall / (Surplus)	0	202,839	441,781

- 5.5 It is proposed that the 2020/21 funding gap of £126,750, is funded from uncommitted reserves.

6. Reserves

- 6.1 As at 31 March 2019 the Board had reserves of approximately £470,790. Of this total, £333,730 was earmarked for a specific purpose during the 2019/20 financial year, leaving an uncommitted reserve of £137,060. This uncommitted reserve is expected to increase by £137,590 at 31 March 2020 due to the anticipated 2019/20 underspend (£126,680), and the release of earmarked reserves (£10,910) which were not required in the year.
- 6.2 This Budget reflects total reserves of £396,560 comprising £255,760 earmarked reserves and £140,800 uncommitted reserves. Earmarked reserves are made up of: funding to support the 2020/21 budget shortfall of £126,750, Barclays 19/20 underspend of £7,090 which may be requested to be returned to the Scottish Government and Property Maintenance Fund of £121,910. This leaves an uncommitted reserve of £140,800 which equates to 4.8% of the budget.
- 6.3 The Treasurer has proposed that the policy for minimum uncommitted reserves is maintained at a range of 3% to 6%, to allow for year on year flexibility.

7. Requisitions

- 7.1 On the basis of the draft Budget the cost for financial year 2020/21 that requires to be allocated amongst the constituent authorities is £2,811,520.
- 7.2 The requisition is detailed in Table 5 below:

Table 5: 2020/21 Proposed Requisitions

	Requisition as previous year	Barclay Settlement proposed allocation	Pay Inflation Proposed Allocation	Proposed requisition Total
	£	£	£	£
Falkirk	1,214,515	143,000	34,496	1,392,011
Stirling	868,990	86,000	24,682	979,672
Clackmannanshire	381,015	48,000	10,822	439,837
Total	2,464,520	277,000	70,000	2,811,520

8. Conclusions

- 8.1 This report provides information on the revenue budget for the financial year to 31 March 2021. The Board is asked to note the contents of this report and approve the recommendations as set out in section 2 of the paper.

Approved By:

Peter Wildman
Assessor/Electoral Registration Officer

Lindsay Sim
Treasurer

Date 20th March, 2020

LIST OF BACKGROUND PAPERS

1. Budget working papers (these are available from the Treasurer Tel 01259 452022)

Appendix A

Budget for Central Scotland Valuation Joint Board 2020/21

	2019/20 Budget	Budget Changes	2020/21 Approved Budget
	£	£	£
Employee Related Expenditure			
Single Status Gross Salaries	1,441,230	23,430	1,464,660
Single Status Employers Superann	311,370	16,280	327,650
Single Status Employers NIC	146,500	4,420	150,920
Barclays - Single Status Gross Salaries	115,020	63,880	178,900
Barclays - Single Status Employers Superann	26,450	15,260	41,710
Barclays - Single Status Employers NIC	12,700	6,090	18,790
Barclays - Single Status Overtime	-	32,570	32,570
Canvassers Gross Salaries	26,010	(26,010)	-
Canvassers Employers NIC	3,300	(3,300)	-
Conference Expenses And Subsistence	2,500	-	2,500
Superannuation Annual Charges	25,740	(4,240)	21,500
Recruitment Expenses	1,000	(1,000)	-
Staff Training	10,000	(3,000)	7,000
Vacancy Management	-	10,000	(10,000)
Employee Related Expenditure	2,101,820	134,380	2,236,200
Premises Related Expenditure			
Annual Maintenance External Providers	7,580	(1,110)	6,470
Service requested building repairs	6,680	-	6,680
Service Charge	19,250	510	19,760
Cleaning & Hygiene Materials	1,200	60	1,260
Window Cleaning	360	-	360
Gas	3,600	(150)	3,450
Electricity	11,600	2,810	14,410
Rents	85,000	-	85,000
Rates	46,760	930	47,690
Water Charges	7,120	(1,420)	5,700
Property Insurance	1,640	(70)	1,570
Cleaning Services Internal recharge	15,790	470	16,260
Premises Related Expenditure	206,580	2,030	208,610
Transport Related Expenditure			
Staff Travel	23,000	(3,000)	20,000
Transport Related Expenditure	23,000	(3,000)	20,000
Supplies & Services Expenditure			
Purchase Of Furniture	500	-	500
General Consumables	250	-	250
Equipment Maintenance	2,050	(310)	1,740
Medical Supplies	-	470	470
Hospitality	1,750	-	1,750
Uniforms & Clothing	400	-	400
Office Equipment - Rental	5,110	-	5,110
Printing & Photocopying	10,000	-	10,000
Stationery	2,000	-	2,000
Publications	7,210	270	7,480
Advertising - General	5,000	(1,000)	4,000
Insurance	8,000	180	8,180
Postages	165,000	(15,000)	150,000

Budget for Central Scotland Valuation Joint Board 2020/21 continued

	2019/20 Budget	Budget Changes	2020/21 Approved Budget
	£	£	£
Supplies & Services Expenditure continued			
Legal Expenses	27,000	-	27,000
Subscriptions	580	-	580
Telephones	8,250	1,190	9,440
Mobile Telephones	6,350	1,870	8,220
Computer Hardware Purchase	20,000	(20,000)	-
Disaster Recovery	17,850	(170)	17,680
Computer Hardware Maint.	210	(210)	-
Computer Software Purchase	990	(990)	-
Computer Software Maint.	112,120	1,200	113,320
Barclays - Computer Software Maint.	10,000	(4,480)	5,520
Supplies & Services Expenditure	410,620	-	373,640
Third Party Payments			
Other Local Authorities	11,150	390	11,540
Payments To Contractors	3,850	-	3,850
Payment to Other Agencies	-	7,400	7,400
Audit Scotland	7,200	250	7,450
Third Party Payments	22,200	8,040	30,240
Support Services			
Accountancy	32,500	-	32,500
Human Resources	23,700	-	23,700
Legal	15,810	-	15,810
Corporate Services	9,000	270	9,270
Support Services	81,010	270	81,280
TOTAL GROSS EXPENDITURE	2,845,230	104,740	2,949,970
Income			
Income Government Revenue Grant	(86,000)	86,000	-
Charges for Services Standard VAT	(7,700)	-	(7,700)
Other Income	(4,000)	-	(4,000)
Income	(97,700)	86,000	(11,700)
NET EXPENDITURE	2,747,530	190,740	2,938,270
		Increase	6.94%
		Employee Costs	76.1%