

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest includes a crown with four maple leaves, a shield divided into four quadrants (top-left: saltire, top-right: stag's head, bottom-left: sailing ship, bottom-right: grizzly bear), and a banner at the bottom with the motto 'CITY OF VANCOUVER' in French. The text 'AGENDA ITEM' is centered over the top half of the shield.

AGENDA ITEM

4

DRAFT REVENUE BUDGET 2016/17



AGENDA ITEM 4

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: Draft Revenue Budget 2016/17
Meeting: Central Scotland Valuation Joint Board
Date: 12th February, 2016
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 2016/17.
- 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 2015/16 the first full annual canvass under Individual Electoral Registration was carried out with requirements for new applicants to prove their identity and consequently greater volumes of compulsory form distribution and personal visits being required. Throughout the year, the Assessor and ERO has worked to build up a picture of the resource implications of IER and this information has informed the preparation of this 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 2015/16, the Assessor and ERO has, throughout 2015/16, worked with his Management Team and the Treasurer to identify efficiencies and savings in the operating costs of the Valuation Board. This review activity, focused on delivering a sustainable cost base for the future, has delivered a reduction in planned expenditure for 2016/17 of just under 5%.
- 1.6 As indicated in January 2015, the Treasurer has also conducted a review of the Valuation Board's Reserves following the Board's transitional activity to deliver the new structure which will operate from April 2016. The report details the projected reserves to the 31st March 2016 and proposes a refund to the Constituent Authorities. The closing position represents an uncommitted reserve level of £110,000 which is in line with the Board's revised minimum reserve level of 4% of net expenditure. This position will continue to be reviewed annually to ensure reserve levels remain adequate but not excessive.
- 1.7 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..
- 1.8 Clearly, this context also highlights a number of potential risks which require to be managed and/or mitigated. Key potential risks for the Valuation Board to consider in setting its Budget include:
- certainty of future funding streams from both the Constituent authorities and the Cabinet Office
 - the ability of the Valuation Board to make year on year reductions in its net expenditure at the same time as it is implementing new electoral systems and when 74.9% of its net expenditure is on the cost of employment.
 - potential additional unplanned work depending on the timing of the European Union Referendum, the potential Council Tax replacement scheme, Revaluation and a potential review of the Non Domestic Rates system.

2. Draft Revenue Budget 2016/17

- 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 revised structure 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 4.5% (£125k) 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 2015/16 budgets is included at Table 1.

Table 1: 2016/2017 Budget Adjustments Summary

Item		Adjustment Value £	Explanation
Salary	↓	-164,840	Restructure savings
Salary variations	↑	56,900	This includes inflationary and incremental increases, increase in NIC contributions in line with HMRC removal of contracted out rebate (£35k)
Overtime	↑	32,500	Increase overtime for Scottish Parliament Election and NDR revaluation
Training	↑	24,000	Training required to support new staffing structure
Management of Vacancies	↑	27,560	Increase in budget to remove vacancy management saving due to restructure
Canvassers	↓	-40,000	Revised budget based on the outcome of this year's canvass.
Repairs & Maintenance	↑	3,860	Increase to budget for scheduled contractual building maintenance
Other Local Authorities	↑	1,830	Increase to cover inflationary change in support costs
Service Charge	↑	5,500	In line with current costs
Printing	↑	10,000	Increase due to IER
Centralised IT	↓	-14,100	Reduction in software, hardware and maintenance
Inflation increases	↑	25,280	See table 2.below
Income	↑	-94,000,	Budgeted Government funding for IER
Miscellaneous	↓	686	Small adjustments across budget areas
TOTAL	↓	-124,824	Reduction of 4.5%

- 2.4 Inflation has been applied where there is a specific or contractual requirement. A summary of the inflation rates applied in setting the 2016/17 Budget is provided at Table 2 below.

Table 2: 2016/2017 Budget Inflation rates

Item	%	Adjustment Value £
Pay Award	+1.0%	13,253
Superannuation	+2.5%	9,226
NIC	+1.0%	1,333
Gas	+5.0%	210
Electric	+5.0%	600
Cleaning	+2.50%	380
Property Insurance	+2.50%	80
Water Charges	+2.50%	200
TOTAL		25,282

3. Indicative Funding to 2017/2018

- 3.1 It is anticipated that by 2018/19, there will be a funding gap of over £426,200 (see Table 4) for the Valuation 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
- general inflation has been assumed at 2.5% other than utility costs that are assumed at 5%.
- no assumed demand pressures for new/changes in activity in future years.
- any new responsibilities would be fully funded by The Cabinet Office.

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 Valuation Board during the year as further information is available as part of regular outturn reporting.

Table 4: Indicative Funding gap 2016/17 to 2018/19

Central Valuation Joint Board - Funding Assumptions	2016/17 Draft £	2017/18 Indicative £	2018/19 Indicative £
Funding Assumption - per settlement	(2,514,817)	(2,464,520)	(2,434,946)
Funding From Reserves	(104,710)		
Funding Requirements - per known inflationary pressures	2,619,527	2,646,671	2,678,998
Annual Funding Shortfall / (Surplus)	0	182,151	244,052
Cumulative Shortfall / (Surplus)	0	182,151	426,203

- 3.2 It is proposed that the 2016/17 funding gap of £105k is funded from uncommitted reserves. There is the potential that some or all of this contribution from reserves can be reimbursed. As in January 2015 when the Board set its Budget, notification of all 2016/17 Cabinet Office funding has not been received. A bid has been prepared for additional funding for 2016/17 but the outcome is not yet available. If this bid is successful and the additional anticipated funding is provided by The Cabinet Office, clearly an equivalent amount will not be required from general reserves.

4. Reserves

- 4.1 As at 31 March 2015 CSVJB had reserves of approximately £1,023,000. Of this total, £723,000 were earmarked for a specific use during the 2015/16 financial year, giving a usable reserve of £300,000. The usable reserve is expected to increase by £364,000 31 March 2016 due to the anticipated 2015/16 underspend (£131,000), the release of earmarked reserves (£130,000) which were not required in the year and the receipt of additional funding from the Cabinet Office (£103,000).
- 4.2 Given the projected indicative funding gap up to 31st March 2019, the Treasurer has proposed that the minimum uncommitted reserve level is increased to 4%, This equates to £110,000 in 2016/17. This position will be reviewed annually
- 4.3 It is proposed to fund the budget shortfall of £104,710 (2016/17) from reserves due to the uncertainty surrounding the additional bid for IER funding. As stated at Paragraph 1.6, the Budget also provides the constituent authorities with a refund of £440,000 (see Table 5) based on the anticipated reserves position of £712,000 at 31st March 2016. This will leave a total of £272,000 reserves (£162,000 earmarked, £110,000 uncommitted) compared with the minimum level of uncommitted reserves required of £110,000 which equates to 4% of expenditure.

5. Requisitions

- 5.1 The cost for financial year 2016/17 that requires to be allocated amongst the constituent authorities is £2,514,817.
- 5.2 On the basis of the draft budget less the refund of reserves the requisition is detailed in Table 5 below:

Table 5:2016/17 proposed Requisitions

	Requisition £	Reserves Refund £	Net Requisition £
Falkirk	1,239,302	(217,000)	1,022,302
Stirling	886,724	(155,000)	731,724
Clackmannanshire	388,791	(68,000)	320,791
Total	2,514,817	440,000	2,074,817

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 2016/17, as detailed in Appendix A.
- (ii) Agrees the Treasurer's recommendation to increase the minimum level of reserves to 4% of net revenue expenditure.
- (iii) Agrees the refund of the uncommitted general reserves, as detailed in Table 5, noting that uncommitted Board Reserves remain at 4.0% of net revenue expenditure which is in line with the new minimum reserve level .
- (iv) Agrees to requisition the constituent authorities for their share of the net expenditure as outlined in Table 5 above.

.....
Assessor/Electoral Registration Officer

Date: 12th February, 2016

.....
Treasurer

LIST OF BACKGROUND PAPERS

1. Budget working papers (these are available from the Treasurer Tel 01259 452072)

APPENDIX A					
Budget for Central Scotland Valuation Joint Board 2016/17					
	GL Code	2015/16 Budget	Variations	Other Inflation	2016/17 Final Budget
Employee Related Expenditure					
APT & C General - Salaries	1,060	1,434,300	(95,775)		1,338,525
APT & C General - Employers Supn	1,061	293,880	(13,669)		280,211
APT & C General - Employers NIC	1,062	109,330	25,315		134,645
APT & C General - Overtime	1,063	5,000	32,500		37,500
Management of Vacancies	1,064	(27,560)	27,560		0
Canvassers	1,570	140,000	(40,000)		100,000
Long Service Award	1,740	750	(250)		500
Superannuation Annual Charges	1,830	25,630	625		26,255
Advertising Expenses - Recruitment	1,870	500	1,500		2,000
Staff Training	1,910	15,000	24,000		39,000
Conference Expenses - Officials	1,950	2,000	0		2,000
Other Staff Costs	1,980	1,500	0		1,500
Employee Related Expenditure		2,000,330	(38,194)	0	1,962,136
Premises Related					
Repairs and Maintenance	2,105	13,640	3,860	0	17,500
Energy Costs- Gas	2,210	4,210	0	210	4,420
Energy Costs - Electricity	2,240	11,900	0	600	12,500
Rents	2,310	85,000	0	0	85,000
Service Charge	2,350	13,000	5,500	0	18,500
Rates	2,400	68,350	0	0	68,350
Water Meter Charges	2,530	8,060	0	200	8,260
Cleaning & Hygiene Materials	2,710	1,500	0	0	1,500
Cleaning Services DSO	2,720	15,260	210	380	15,850
Window Cleaning	2,730	360	0	0	360
Property Insurance	2,910	2,560	0	80	2,640
Premises Related		223,840	9,570	1,470	234,880
Transport Related Expenditure					
Staff Travelling Expenses	3,310	32,000	0	0	32,000
Transport Related Expenditure		32,000	0	0	32,000
Supplies and Services					
Furniture - Purchase	4,002	500	0	0	500
Equipment Maintenance	4,030	8,000	0	0	8,000
Equipment Insurance	4,080	500	0	0	500
Bottled Water	4,126	1,400	(1,400)	0	0
Hospitality	4,190	1,000	0	0	1,000
Clothing and Uniforms	4,210	300	0	0	300
Office Equipment - Rental	5,020	2,000	0	0	2,000
Printing - Outside Contractors	5,040	5,000	10,000	0	15,000
Photocopying	5,042	3,500	0	0	3,500
Stationery	5,043	15,000	0	0	15,000
Publications	5,050	5,000	0	0	5,000
Advertising - Publicity	5,070	5,000	0	0	5,000
Insurance	5,080	13,600	0	0	13,600
Postages	5,210	170,000	0	0	170,000
Legal Expenses	5,730	17,000	0	0	17,000
Miscellaneous Expenses	5,901	1,000	0	0	1,000
Supplies and Services Sub Total		248,800	8,600	0	257,400

					APPENDIX A
Budget for Central Scotland Valuation Joint Board 2016/17					
	GL Code	2015/16 Budget	Variations	Other Inflation	2016/17 Final Budget
Supplies & Services (Centralised IT)					
Telecommunications	5,230	9,000	0	0	9,000
Computer Hardware Purchase	5,511	21,000	(16,000)	0	5,000
Disaster Recovery	5,520	17,000	0	0	17,000
Computer Hardware Maintenance & Support	5,521	2,000	400	0	2,400
Computer Software Purchase	5,531	10,000	(4,000)	0	6,000
Computer Software Maintenance & Support	5,541	35,000	3,000	0	38,000
Computer Peripherals	5,551	1,000	0	0	1,000
Computer Services	5,571	60,000	2,500	0	62,500
Supplies & Services (Centralised IT)		155,000	(14,100)	0	140,900
Total Supplies & Services		403,800	(5,500)	0	398,300
Third Party Payments					
Payments to Other Local Authorities	6,410	6,100	0	0	6,100
Payments to Contractors	6,705	1,000	0	0	1,000
Audit Scotland	6,840	8,250	0	0	8,250
Third Party Payments		15,350	0	0	15,350
Support Services					
Legal Services	7,030	14,700	0	370	15,070
Human Resources	7,040	22,040	0	550	22,590
Finance Service	7,050	30,220	0	760	30,980
Corporate and Democratic Core	7,070	6,070	0	150	6,220
Support Services		73,030	0	1,830	74,860
TOTAL GROSS EXPENDITURE		2,748,350	(34,124)	3,300	2,717,526
Income					
Government Grants - Specific	9,001	0	(94,000)	0	(94,000)
Sales	9,402	(1,000)	0	0	(1,000)
Other Income	9,445	(3,000)	0	0	(3,000)
Income		(4,000)	(94,000)	0	(98,000)
NET EXPENDITURE		2,744,350	(128,124)	3,300	2,619,526
					124,824
				Reduction	4.5%
				Employee costs	74.9%