

Agenda Item

4

Draft Revenue Budget 2018/19



AGENDA ITEM 4

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: Draft Revenue Budget 2018/19
Meeting: Central Scotland Valuation Joint Board
Date: 2nd February, 2018
Author: Joint Report by Treasurer and Assessor

1. Introduction

- 1.1 This report presents the Draft Revenue Budget for Central Scotland Valuation Joint Board for the financial year 2018/19.
- 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:-

- (i) Formally approves the Valuation Joint Board's Revenue Budget for 2018/19, as detailed in Appendix A.
- (ii) Agrees the Treasurer's recommendation to maintain the minimum level of reserves to 6% of net revenue expenditure.
- (iii) Agrees the Spend to Save and Property Maintenance Funds are continued 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 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 Individual Election Registration (IER) canvass process is a legal requirement and the required steps the ERO must take are legally prescribed with no ERO discretion permitted. The ERO also has to invite anyone not on the register of electors to register to vote. Again this process is legally defined and requires at least three invitations to be issued and a personal visit to any non-responding elector. Throughout the year, the Assessor and ERO has built upon the information gained from the 2017/18 canvass to provide a solid basis for the 2018/19 budget.
- 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 the new GDPR duties.
- 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 2016/17, the Assessor and ERO has, throughout 2017/18, 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. Progress has been made with digitising paper records which will permit more flexible working practices, increase business resilience and in the longer term reduce the floor space requirement. Work is also ongoing to trial tablet solutions to make electoral house to house enquiries more efficient.
- 3.5 As in previous years the Treasurer has reviewed the Board's Reserves and based on future years' pressures including: uncertainty over the level, timing and duration of current Cabinet Office funding streams and pay inflation pressures. As a consequence of this review, the Treasurer, recommends maintaining the reserves level for this year at 6%. The report details the projected reserves to the 31st March 2018. The closing position represents an uncommitted reserve level of £155,100. 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 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, 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 and potentially having to provide estimates to ratepayers of potential changes in rateable value when 75.3% of the Valuation Board's net expenditure is on the cost of employment.
 - The ability of the Board to retain and recruit qualified staff. The move to three yearly revaluations is very likely to require additional staff resources.
- 3.8 Due to the ongoing risks detailed above it is recommended to continue the Spend to Save fund and Property Maintenance Fund. The Spend to Save Fund of £41,000 provides a level of investment which allows the Assessor and ERO to review working practices and achieve efficiencies for future years. Specifically, ongoing work will focus on:
- 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 and valuation staff efficiency.
- 3.9 The Property Maintenance Fund of £124,290, is also recommended 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 developed during the year.

4. Draft Revenue Budget 2018/19

- 4.1 The summary of the Draft Revenue Budget for the Valuation Joint Board is attached as Appendix A.
- 4.2 The Draft Budget has been prepared on the basis of the Valuation Board's staffing structure with a reduction of 1.2FTE administration officer posts from vacancies in 2017/18, and the addition of a 0.6 FTE of Systems Administration post to ensure resilience and continuity of IT systems. The non-staffing budgets have been carried forward from the current year with appropriate adjustments for known variations. The proposed budget reflects a

small decrease in expenditure of 0.04% (£1.0k) which 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 2017/18 budgets is included at Table 1.

Table 1: 2018/2019 Budget Adjustments Summary

Item		Adjustment Value £	Explanation
Salary variations	↓	(5,100)	Removal of 1.2 FTE administration officer and increase of 0.6 FTE systems administrator and adjustments for increments.
Overtime	↓	(15,000)	Removal of overtime budget.
Training	↓	(11,000)	Training in line with training plan.
Vacancy Management	↓	(10,000)	Budget included to account for timing of recruitment process.
Property Repairs & Maintenance	↓	(4,420)	Reduced in line with current contracts and spend.
Water Charges	↓	(1,170)	Reduced in line with current spend and assumed inflation
Stationery	↓	(7,000)	Reduced due to changes mail process
Staff Mileage	↓	(4,000)	Reduced in line with expected valuation and canvass work.
Disaster Recovery	↑	5,080	Increased in line with contracts now in place.
Insurance	↓	(4,100)	Reduced in line with current spend and estimated inflation.
Postage	↓	(11,000)	Reduced in line with current spend
Telephones	↑	2,120	Increased due to maintenance costs of phone systems
Mobile Telephones	↑	6,850	Increase due to staff being issued with mobile phones to facilitate more flexible working practices and comply with Data Protection requirements.
Computer Hardware Purchase	↑	4,000	Increase for server replacement programme.
Inflation increases	↑	57,575	See table 2.below
Income	↑	5,000	Reduced in line with current IER allocation
Miscellaneous	↓	(8,845)	Small adjustments across budget areas
TOTAL	↓	(1,010)	Reduction of 0.04%

4.4 Inflation has been applied where there is a specific or contractual requirement. A summary of the inflation rates applied in setting the 2018/19 Budget is provided at Table 2 below.

Table 2: 2018/2019 Budget Inflation rates

Item	%	Adjust ment Value £
Pay Award	+2.6%(avg)	37,970
Superannuation	+0.5%	14,080
NIC	+2.0%	3,530
Gas	+11%	490
Support Services	+2.0%	1,505
TOTAL		57,575

5. Indicative Funding to 2020/2021

5.1 It is anticipated that by 2020/21, there will be a funding gap of over £446,459 (see Table 3) for the Board. This funding gap assumes:

- requisitions from constituent authorities will remain at the current level.
- pay inflation will continue at 2% 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
- The Cabinet Office will continue to fund the extra duties brought by IER activity.
- Contract inflation of 1.5%.

5.2 Currently we are working on the basis that funding from constituent authorities in future years will remain at the current level. Recent discussions with the constituent authorities highlight how challenging a position this is to sustain in the light of annual cash reductions in council funding. On this basis, the Board has continued to work to reduce the funding requirement in line with local government funding reductions. However, the Board is also under pressure, for instance the introduction of Individual Electoral Registration (IER) in 2015/16 required the budget to increase by £277k and this was only part funded by the Cabinet Office placing greater pressure on the diminishing resources available. The board continues with its aim of reducing the financial impact of IER: over the last 3 years budget growth has been constrained with the proposed budget being only £33k higher than the budget in 2014/15.

- 5.3 Funding from constituent authorities has reduced by 2.1% since 2015/16 with any funding gap being mitigated by reserves. A refund of reserves has also been made to the constituent authorities of £717k in previous years.
- 5.4 Given that employee costs are 75.3% of the budget and with no additional funding from constituent authorities, inflationary cost pressures for superannuation and pay inflation have been funded from reserves, but this is clearly not a sustainable strategy for future years.
- 5.5 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 3: Indicative Funding gap 2018/19 to 2020/21

Central Valuation Joint Board - Funding Assumptions	2018/19 Draft £	2019/20 Indicative £	2020/21 Indicative £
Funding Assumption - per requisition	(2,464,520)	(2,464,520)	(2,464,520)
Funding From Reserves	(118,840)		
Funding Requirements - per known inflationary pressures	2,583,360	2,659,460	2,716,039
Annual Funding Shortfall / (Surplus)	0	194,940	251,519
Cumulative Shortfall / (Surplus)	0	194,940	446,459

- 5.6 It is proposed that the 2018/19 funding gap of £118,840 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 although this is reducing.

6. Reserves

- 6.1 As at 31 March 2017 the Board had reserves of approximately £504,700. Of this total, £309,850 were earmarked for a specific use during the 2017/18 financial year, giving a usable reserve of £194,850. The usable reserve is expected to increase by £120,090 at 31 March 2018 due to the anticipated 2017/18 underspend (£106,110), and the release of earmarked reserves (£13,980) which were not required in the year.
- 6.2 This Budget reflects total reserves of £439,230 comprising £284,130 earmarked reserves and £155,100 uncommitted reserves. Earmarked reserves are made up of: funding to support the 2018/19 budget shortfall of £118,840, Spend to Save Fund of £41,000 and Property Maintenance Fund of

£124,290. This will leave a total £155,100 uncommitted reserves which equates to the minimum level of uncommitted reserves required (6%).

- 6.3 Given the projected indicative funding gap up to 31st March 2020, the Treasurer has proposed that the minimum uncommitted reserve level is maintained at 6%.(£155,100 in 2018/19). This position will be reviewed annually.

7. Requisitions

- 7.1 The cost for financial year 2018/19 that requires to be allocated amongst the constituent authorities is £2,464,520.
- 7.2 On the basis of the draft budget the requisition is detailed in Table 4 below:

Table 4: 2018/19 proposed Requisitions

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

8.0 Conclusions

- 8.1 This report provides information on the revenue budget for the financial year to 31 March 2019. The Board is asked to note the contents of this report and approve the recommendations in section 2 of the paper.

Assessor/Electoral Registration Officer

Treasurer

Date:2nd February, 2018

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 2018/19			
	2017/18 Budget	Budget Changes	2018/19 Final Budget
	£	£	£
Employee Related Expenditure			
Single Status Gross Salaries	1,375,485	40,915	1,416,400
Single Status Employers Superann	289,345	9,495	298,840
Single Status Employers NIC	138,018	3,972	141,990
Single Status Overtime	15,000	(15,000)	-
Canvassors Gross Salaries	52,392	(5,362)	47,030
Canvassors Employers NIC	3,870	1,460	5,330
Long Service Awards	500	300	800
Childcare Vouchers Admin Costs	350	0	350
Conference Expenses And Subsistence	2,500	0	2,500
Superannuation Annual Charges	26,260	(1,810)	24,450
Recruitment Expenses	2,000	0	2,000
Staff Training	26,000	(11,000)	15,000
Vacancy Management	-	(10,000)	10,000
Employee Related Expenditure	1,931,720	12,970	1,944,690
Premises Related Expenditure			
Annual Maintenance External Providers	15,000	(5,000)	10,000
Service Charge	19,250	580	19,830
Cleaning & Hygiene Materials	1,500	0	1,500
Window Cleaning	360	0	360
Gas	4,420	490	4,910
Electricity	12,500	(890)	11,610
Rents	85,000	0	85,000
Rates	44,280	360	44,640
Water Charges	8,260	(1,170)	7,090
Property Insurance	2,682	78	2,760
Cleaning Services Internal recharge	16,048	(258)	15,790
Premises Related Expenditure	209,300	(5,810)	203,490
Transport Related Expenditure			
Staff Travel	27,000	(4,000)	23,000
Transport Related Expenditure	27,000	(4,000)	23,000
Supplies & Services Expenditure			
Purchase Of Furniture	750	0	750
Equipment Maintenance	3,048	(568)	2,480
Equipment Insurance	500	(500)	-
Hospitality	2,000	(250)	1,750
Uniforms & Clothing	300	100	400
Office Equipment - Rental	7,080	(1,480)	5,600
Printing & Photocopying	24,500	0	24,500
Stationery	9,000	(7,000)	2,000
Publications	6,500	500	7,000
Advertising - General	5,000	0	5,000
Insurance	12,100	(4,100)	8,000
Postages	180,000	(11,000)	169,000

			Appendix A
Budget for Central Scotland Valuation Joint Board 2018/19 continued			
	2017/18 Budget	Budget Changes	2018/19 Final Budget
	£	£	£
Supplies & Services Expenditure continued			
Legal Expenses	20,000	0	20,000
Subscriptions	-	580	580
Telephones	7,800	2,120	9,920
Mobile Telephones	2,200	6,850	9,050
Computer Hardware Purchase	5,000	4,000	9,000
Disaster Recovery	12,500	5,080	17,580
Computer Hardware Maint.	2,600	(1,950)	650
Computer Software Purchase	6,000	(940)	5,060
Computer Software Maint.	112,500	(1,570)	110,930
Computer Peripherals	1,000	(750)	250
Supplies & Services Expenditure	420,378	(10,878)	409,500
Third Party Payments			
Other Local Authorities	6,176	4	6,180
Payments To Contractors	2,000	0	2,000
Audit Scotland	7,000	200	7,200
Third Party Payments	15,176	204	15,380
Support Services			
Accountancy	31,367	623	31,990
Human Resources	22,873	458	23,330
Legal	15,258	302	15,560
Corporate Services	6,298	122	6,420
Support Services	75,796	1,505	77,300
TOTAL GROSS EXPENDITURE	2,679,370	(6,010)	2,673,360
Income			
Income Government Revenue Grant	(91,000)	5,000	(86,000)
Charges for Services Standard VAT	(1,000)	0	(1,000)
Other Income	(3,000)	0	(3,000)
Income	(95,000)	5,000	(90,000)
NET EXPENDITURE	2,584,370	(1,010)	2,583,360
		Reduction	-0.04%
		Employee Costs	75.3%