

AGENDA ITEM 4

CENTRAL SCOTLAND VALUATION JOINT BOARD

Subject: Draft Revenue Budget 2019/20
Meeting: Central Scotland Valuation Joint Board
Date: 1st February, 2019
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 2019/20.
- 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 2019/20, as detailed in Appendix A.
- Agrees the Treasurer's recommendation to revise the minimum level of reserves policy from a fixed 6% to a range of 3% to 6% and this draft budget results in a minimum reserve for 2019/20 of 4% of the net expenditure budget.
- Agrees the Spend to Save and Property Maintenance Funds are continued from reserves to allow the Board to reduce expenditure in future years.
- 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 prescribed in statute 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 2018 canvass to provide a solid basis for the 2019/20 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 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 2018/19, the Assessor and ERO has, throughout 2018/19, 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 which will permit more flexible working practices, increase business resilience and in the longer term reduce the floor space requirement. During 2018/19 the use of a tablet based solution to assist with electoral house to house enquiries was successfully trialled and will be repeated in 2019/20. Good progress is being made with the introduction of Share Point to ensure more efficient ways of working and better records management. We are also working with the Building and Planning Service of the constituent authorities to create a digital flow of information relating to new or amended planning and building warrant information.
- 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, the impact and funding of The Barclay Review and pay inflation pressures.

The Scottish Government announced in the 19-20 Local Government Finance Circular 8/2018 that it was making available £3.3m Scotland wide for the implementation of the Barclay Review. When preparing this budget the allocation basis is assumed to be on the basis of General Revenue Grant for the constituent authorities. The additional costs brought about by the requirements of the Barclay review are to be 50% funded by an increase in requisition from the constituent authorities and 50% funded from reserves." Table 5 provides detail on this.

As a consequence of this review, the Treasurer, recommends the reserves policy level to be in the range of 3% to 6% to allow for flexibility across funding years, the minimum reserve for 2019/20 is 4%. The report details the projected reserves to the 31st March 2019. The closing position represents an uncommitted reserve level of £103,330. 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 76.5% 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 will 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 £10,920 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. The funding will support the ongoing work till May 2019 when it is hoped the project will be complete.
- 3.9 The Property Maintenance Fund of £121,910 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 2019/20

- 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 2 FTE administration officer posts in 2018/19 from vacancies, and the increase of 0.4 FTE for the Systems Administration post from 0.6 FTE to 1 FTE 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 an increase in expenditure of 6.3% (£164,170 which is 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 2018-19 budgets is included at Table 1.

Table 1: 2019/2020 Budget Adjustments Summary

Item		Adjustment Value £	Explanation
Salary variations	↓	(56,575)	Reduction of 2FTE admin officers and reduction in Canvassers budget
Barclay	↑	164,170	See Table 3 below
Training	↓	(5,000)	Training in line with training plan.
Vacancy Management	↓	(10,000)	Budget included to account for timing of recruitment process.
Property Repairs & Maintenance	↑	4,260	in line with current contracts and spend.
Rates	↑	2,120	Current spend and assumed inflation
Recruitment	↓	(1,000)	Reduced in line with current spend
Printing & photocopying	↓	(14,500)	Efficiencies and moving to electronic devices from paper
Legal expenses	↑	7,000	Expected increase for appeals
Property Insurance	↓	(1,120)	Reduced in line with current spend and estimated inflation.
Postage	↓	(4,000)	Reduced in line with current spend related to electronic device efficiency
Telephones	↓	(1,670)	Based on current spend

Mobile Telephones	↓	(2,700)	Reduction in number of devices and better contract costs
Computer Hardware Purchase	↑	11,000	Desktop replacement
Computer Software Purchase	↓	(4,070)	In line with current requirement
Payments to other LA's	↑	4,970	Relates to increased charges
Corporate Services	↑	2,580	To bring budget up to current charge for Clerk to Board
Payments to Contractors	↑	1,850	In line with current spend, waste etc
Service charges and Utilities	↓	(2,200)	In line with current spend
Inflation increases	↑	76,540	See table 2.below
Income- Electoral	↓	(7,700)	In line with current sales
Miscellaneous	↑	215	Small adjustments across budget areas
TOTAL	↑	164,170	Increase of 6.3%

- 4.4 Inflation has been applied where there is a specific or contractual requirement. A summary of the inflation rates applied in setting the 2019/20 Budget is provided at Table 2 below.

Table 2: 2019/20 Budget Inflation rates

Item	%	Adjustment Value £
Pay Award	+3.0%	44,220
18/19 Pay award adjustment, budgeted,3,2,1% actual 3.5%,£1600	+0.5%(avg)	10,480
Superannuation	+0.5%	15,930
NIC	+3.2%(avg)	4,780
Support Services	+1.6%	1,130
TOTAL		76,540

Table 3: Barclay Implementation costs

Description	FTE	Adjustment Value £
Principal Valuer	1	64,370
Trainee Valuer	1	49,730
Analyst Programmer(Aug 19)	1	33,220
Upgrade of existing Analyst Programmer	1	6,850
IT upgrade to software		10,000
TOTAL		164,170

5. Indicative Funding to 2021/2022

5.1 It is anticipated that by 2021/22, there will be a cumulative funding gap of £619,620 (see Table 4) for the Board. This funding gap assumes:

- requisitions from constituent authorities will include funding for Barclay review of £82,085
- 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
- The Cabinet Office will continue to fund the extra duties brought by IER activity
- Contract inflation of 3%

5.2 Currently we are working on the basis that the constituent authorities will fund 50% of the demand pressure relating to Barclay review. Recent discussions with the constituent authorities highlight how challenging a financial position this is to sustain in the light of annual cash reductions of 2.5 to 3% 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 with the pending implementation of the Barclay Review resulting in 3 year revaluations and a shorter appeal term. This is being funded by Scottish Government, £3.3m across Scotland (this is not ring-fenced funding) and for the purposes of this budget the distribution method based on General Revenue Grant has been assumed. The Board's demand pressure for this implementation is £164,170, £154,170 for staffing and £10,000 approximately for IT upgrades with £77,085 and £5,000 being funded respectively. Other than this pressure no other growth is being requested. The Board by making efficiencies have absorbed all inflationary pressures as shown in Table 2 above.

5.3 Given that employee costs are 76.5% 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.

5.4 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 2019/20 to 2021/22

Central Valuation Joint Board - Funding Assumptions	2019/20 Draft £	2020/21 Indicative £	2021/22 Indicative £
Funding Assumption - per requisition	(2,546,605)	(2,546,605)	(2,546,605)
Funding From Reserves	(200,905)		
Funding Requirements - per known inflationary pressures	2,747,510	2,819,380	2,893,450
Annual Funding Shortfall / (Surplus)	0	272,775	346,845
Cumulative Shortfall / (Surplus)	0	272,775	619,620

- 5.5 It is proposed that the 2019/20 funding gap of £200,905, is funded from uncommitted reserves.

6. Reserves

- 6.1 As at 31 March 2018 the Board had reserves of approximately £540,850. Of this total, £318,130 were earmarked for a specific use during the 2018/19 financial year, giving a usable reserve of £222,720. The usable reserve is expected to increase by £90,060 at 31 March 2019 due to the anticipated 2018/19 underspend (£71,340), and the release of earmarked reserves (£18,720) which were not required in the year.
- 6.2 This Budget reflects total reserves of £437,060 comprising £333,730 earmarked reserves and £103,330 uncommitted reserves. Earmarked reserves are made up of: funding to support the 2019/20 budget shortfall of £200,905, Spend to Save Fund of £10,915 and Property Maintenance Fund of £121,910. This will leave a total £103,330 uncommitted reserves which is 4% of the budget.
- 6.3 The Treasurer has proposed that the policy for minimum uncommitted reserve level is changed to a range of 3% to 6%, to allow for year on year flexibility.

7. Requisitions

- 7.1 The cost for financial year 2019/20 that requires to be allocated amongst the constituent authorities is £2,546,605.
- 7.2 On the basis of the draft budget the requisition is detailed in Table 5 below:

Table 5: 2019/20 Proposed Requisitions

	Requisition	Barclay Settlement proposed allocation	Proposed requisition Total
	£	£	£
Falkirk	1,214,515	42,365	1,256,880
Stirling	868,990	25,450	894,440
Clackmannanshire	381,015	14,270	395,285
Total	2,464,520	82,085	2,546,605

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 1st February, 2019

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 2019/20

	2018/19 Budget	Budget Changes	2019/20 Final Budget
	£	£	£
Employee Related Expenditure			
Single Status Gross Salaries	1,416,400	139,850	1,556,250
Single Status Employers Superann	298,840	38,980	337,820
Single Status Employers NIC	141,990	17,210	159,200
Canvassers Gross Salaries	47,030	(21,020)	26,010
Canvassers Employers NIC	5,330	(2,030)	3,300
Long Service Awards	800	(800)	-
Childcare Vouchers Admin Costs	350	(350)	-
Conference Expenses And Subsistence	2,500	0	2,500
Superannuation Annual Charges	24,450	1,290	25,740
Recruitment Expenses	2,000	(1,000)	1,000
Staff Training	15,000	(5,000)	10,000
Vacancy Management	- 10,000	(10,000) -	20,000
Employee Related Expenditure	1,944,690	157,130	2,101,820
Premises Related Expenditure			
Annual Maintenance External Providers	10,000	(2,420)	7,580
Service requested building repairs	-	6,680	6,680
Service Charge	19,830	(580)	19,250
Cleaning & Hygiene Materials	1,500	(300)	1,200
Window Cleaning	360	0	360
Gas	4,910	(1,310)	3,600
Electricity	11,610	(10)	11,600
Rents	85,000	0	85,000
Rates	44,640	2,120	46,760
Water Charges	7,090	30	7,120
Property Insurance	2,760	(1,120)	1,640
Cleaning Services Internal recharge	15,790	0	15,790
Premises Related Expenditure	203,490	3,090	206,580
Transport Related Expenditure			
Staff Travel	23,000	0	23,000
Transport Related Expenditure	23,000	0	23,000
Supplies & Services Expenditure			
Purchase Of Furniture	750	(250)	500
General Consumables	-	250	250
Equipment Maintenance	2,480	(430)	2,050
Hospitality	1,750	0	1,750
Uniforms & Clothing	400	0	400
Office Equipment - Rental	5,600	(490)	5,110
Printing & Photocopying	24,500	(14,500)	10,000
Stationery	2,000	0	2,000
Publications	7,000	210	7,210
Advertising - General	5,000	0	5,000
Insurance	8,000	0	8,000
Postages	169,000	(4,000)	165,000

Appendix A

Budget for Central Scotland Valuation Joint Board 2019/20 continued

	2018/19 Final Budget	Budget Changes	2019/20 Final Budget
	£	£	£
Supplies & Services Expenditure continued			
Legal Expenses	20,000	7,000	27,000
Subscriptions	580	0	580
Telephones	9,920	(1,670)	8,250
Mobile Telephones	9,050	(2,700)	6,350
Computer Hardware Purchase	9,000	11,000	20,000
Disaster Recovery	17,580	270	17,850
Computer Hardware Maint.	650	(440)	210
Computer Software Purchase	5,060	(4,070)	990
Computer Software Maint.	110,930	11,190	122,120
Computer Peripherals	250	(250)	-
Supplies & Services Expenditure	409,500	1,120	410,620
Third Party Payments			
Other Local Authorities	6,180	4,970	11,150
Payments To Contractors	2,000	1,850	3,850
Audit Scotland	7,200	0	7,200
Third Party Payments	15,380	6,820	22,200
Support Services			
Accountancy	31,990	510	32,500
Human Resources	23,330	370	23,700
Legal	15,560	250	15,810
Corporate Services	6,420	2,580	9,000
Support Services	77,300	3,710	81,010
TOTAL GROSS EXPENDITURE	2,673,360	171,870	2,845,230
Income			
Income Government Revenue Grant	(86,000)	0	(86,000)
Charges for Services Standard VAT	(1,000)	(7,700)	(8,700)
Other Income	(3,000)	0	(3,000)
Income	(90,000)	(7,700)	(97,700)
NET EXPENDITURE	2,583,360	164,170	2,747,530
		Increase	6.35%
		Employee Costs	76.5%