



Revenue Budget 2015/16

9 February 2015

1 Purpose of report

The purpose of this report is to present to the Board the revenue budget for 2015/16 for approval. The report has been prepared in consultation with the Assessor.

2 Local Government Finance Settlement – Constituent Councils

- 2.1 The overall Local Government Finance Settlement for 2015/16 shows a “flat-cash” position, relative to 2014/15. However, at their meeting in April 2014, COSLA Leaders agreed to a full needs-based update of the indicators guiding the distribution of revenue grant funding amongst councils in Scotland. Provisional grant allocations prepared on this basis for 2015/16 were announced on 7th July 2014 and the Scottish Government announced a draft settlement for 2015/16 on 11th December 2014.
- 2.2 In the absence of confirmed budget allocations, even at a Scotland-wide level, for local government beyond 2015/16, longer-term funding assumptions remain subject to considerable uncertainty. Those projections that are available, however, point to a tightening of the overall fiscal position and potential cash-reductions in funding provided through the Scottish Block grant over the following two years.

3 Proposed Budget 2015/16

- 3.1 The budget for the past three years for the Lothian Valuation Joint Board has been held at £6.118m. Given the nature of the Local Government Finance Settlement 2015/16, the proposed Valuation Board budget has been prepared based on continuation of a “flat cash” requisition for a further year.
- 3.2 An analysis of budget change is shown in Appendix 1; the proposed budget for 2015/16 is shown in Appendix 2.

4 Constituent Council Requisitions 2015/16

- 4.1 The requisition to constituent councils for 2014/2015 was apportioned based on the constituent council’s share of relevant grant aided expenditure (GAE) lines in the Local Government Finance Circular 11/2011 published on the 8th December 2011. The apportionment for 2015/16 has been revised and is now based on the constituent council’s share of GAE lines in the Local Government Finance Circular No. 6/2014 published in July 2014.

The effect is marginal for each authority and has been shown in the table below:

Constituent Council	GAE% 2014/15	Requisition 2014/15	GAE% 2015/16	Requisition 2015/16	Increase / (Decrease)
Edinburgh	61.22%	£3,745,440	61.19%	£3,743,604	(1,835)
Midlothian	9.08%	£555,514	9.16%	£560,409	4,894
East Lothian	11.02%	£674,204	10.94%	£669,309	(4,894)
West Lothian	18.68%	£1,142,842	18.71%	£1,144,678	1,835
Total	100.00%	£6,118,000	100.00%	£6,118,000	0

5 Budget Flexibility and Risk Analysis

- 5.1 Although the Board has no specific power to establish a general reserve, it does have the ability to carry-forward unspent requisitions in any one year as a creditor or provision to meet known future commitments. The Board has already approved the retention of the balance of unspent requisitions from 2010/11 to 2013/14 to meet the cost of early release measures. As reported to the Board in November 2014, this balance stands at £0.421m.
- 5.2 A detailed risk analysis has been undertaken as part of the 2015/16 budget process. This has identified a number of potential risks inherent in the budget process and these are summarised below. Not all of these risks can be quantified at this stage:
- (i) Pay Awards – a 1% uplift in pay awards equates to an increase of £0.045m per annum. If the pay award exceeds this a budget pressure will emerge.
 - (ii) Employer Pension Contributions – the employer pension contribution has been set at 20.9%. This is in line with the ‘contribution stability mechanism’ that Pensions Committee agreed in December 2013 whereby contribution rates would be frozen until 31 March 2018 then +0.5% / -0.5% p.a. thereafter.
 - (iii) Individual Electoral Registration – 2015/16 is the second year of transition to IER with a “business as usual” position expected during 2016/17. Throughout 2015/16 process changes initiated during 2014/15 shall continue to bed-in, while specific activity shall be required in respect of electors who have been “carried forward” and are in transition within the IER process. As a result of activities carried out during 2014/15 two principle areas of on-going expenditure have been identified; canvassing and postage. The ongoing costs of which is still to be fully quantified;
 - Canvassing - There is a requirement to undertake, where necessary, an external door step canvass where the elector has not responded to requests for information from the ERO. To satisfy this we have adopted a 12 person canvass team, on temporary 1 year contracts, during 2014/15. It is considered essential that this team continue to operate during 2015/16.
 - Postage - Early indications are that IER shall involve a higher level of correspondence issue than was previously the case during canvass activities, on-going rolling registration and election periods.

While on-going financial implications impacting on 2016/17 are still to be quantified the Cabinet Office has indicated that additional funding for the transition to IER shall be made available during 2015/16; an announcement is anticipated early February 2015.

- (iv) Revaluation 2017 – During 2015/16 the process of ingathering information for the purposes of the 2017 Revaluation shall commence. This shall involve the issue of forms and reminders in respect of rental, cost and other relevant information across a broad spectrum of property types. As it is particularly relevant during this period, it is intended that forms shall also be issued to maintain the integrity of all name information held on the Valuation Roll. To maximise the level of return received consideration is being given to include where possible reply paid envelopes. It is estimated that overall this activity could add up to an additional £0.050m pressure to the postage and printing requirement.
 - (v) Extension of voting franchise to 16/17 year olds – Recent announcements have indicated the Scottish Government's intention to extend the franchise to vote in the Scottish Parliamentary election in 2016 to 16/17 year olds. In order to meet this requirement activity would commence during the summer/autumn of 2015. Additional expenditure can be expected in respect of additional postage and printing, publicity and software amendments. As detail on this is very limited an accurate assessment of the financial impact is not possible, however a budget pressure in the region of up to £0.030m should be considered.
 - (vi) The First Minister has announced the intention to have an independent commission examine "fairer" alternatives to the council tax which would report by autumn 2015. The introduction of any alternative to the current system will have a serious impact on budget.
- 5.5 Strategic and operational planning, along with risk management, are already being undertaken by the Assessor, however, the combination of the major activities referred to above and the uncertainty of legislation and timetabling results in risk to the Board.
- 5.6 The Board has an established track record of managing expenditure pressures within its budgetary provision. A further £0.081m of pressures is being contained within the proposed 2015/16 budget. However, there is a significant risk around the Board's ability to continue to contain pressures beyond 2015/16 following four years of a 'flat cash' requisition. The budget pressure contained for this period totals £0.467m which would represent a budget cut of just under 8%. Close monitoring of the financial position of the Board will be maintained taking account of financial risks inherent in the budget process.

6 Budget 2016/17

- 6.1 The expectation is that Cabinet Office funding for the transition to IER shall cease by 2016/17. Any additional budgetary expenditure needed to fulfil the requirements of IER shall fall to the Board's constituent councils to provide funding.

It is difficult to predict, without the ability to fully assess the final financial impact of IER during 2014/15 and 2015/16, what that expenditure requirement may be. Further work will be carried out to enable an assessment to be made during 2015/16.

- 6.2 Recent announcements by the First Minister have placed the future of Council Tax high on the Scottish Government's agenda for consideration. It remains to be seen whether the current system shall face major or minor revision or indeed be removed altogether in favour of an alternative system. Autumn 2015 has been identified as the end of the consultation period. It is envisaged that the current system as it stands shall not remain and the Board considers that this expected change gives rise to financial uncertainty.
- 6.3 The Scottish Government's response to the consultation "Supporting Business-Promoting Growth" is now entering its second phase. Under consideration are changes to the appeal process associated with the Valuation Roll. This issue shall continue to be monitored for any financial implications.
- 6.4 2017 is a year of Revaluation and for the purposes of this report specific work is identified under paragraph 5.2 (iv). This work shall continue into the 2016/17 year and therefore some additional pressure in terms of postage and printing may arise.

7 Recommendations

- 7.1 The Board is recommended to approve the proposed budget for 2015/16 and the issue of requisition requests from the Treasurer to constituent councils as follows:

Constituent Council	Requisition 2015/16
Edinburgh	£3,743,604
Midlothian	£560,409
East Lothian	£669,309
West Lothian	£1,144,678
Total	£6,118,000

- 7.2 Note that a further update on the potential financial impact to the Board of Individual Electoral Registration will be reported at a future meeting in 2015/16.
- 7.3 Note the risks identified in paragraph 5.

Hugh Dunn
Treasurer

Appendices

Appendix 1 – Analysis of Budget Change
Appendix 2 – Revenue Budget 2015/16 – Subjective Analysis

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Background Papers

Held at the Office of Treasurer

Appendix 1 - Analysis of Budget Change

	£'000	£'000	£'000	% Change
APPROVED BUDGET 2014/2015			£6,118	
<u>1. Core Budget Movement</u>				
<u>Pressures:</u>				
· Pay Award (1%) - April 2015	£45			
· Salary increments	£18			
· Rates - est. increase in poundage	£5			
· Other pressures - mainly postage increase (est. based on 4.7% from Jan 2015)	£13			
	£81		£81	1.3%
<u>Reductions</u>				
· Employers pension contributions adjustments (staff not in LPPF)	-£17			
· Savings associated with changes in hours / vacancies filled at lower grades.	-£30			
· Utilities budget reduced based cost trends	-£10			
· CEC Support budget reduced based cost trends	-£15			
· Other minor budget revisions	-£9			
	-£81		-£81	(1.3%)
PROPOSED BUDGET 2015/16			£6,118	0.0%

Appendix 2 – Revenue Budget 2015/16 – Subjective Analysis

Budget 2014/15		1. Core Revenue Budget	Budget 2015/16	
£'000	£'000		£'000	£'000
3,350		Employee Costs	3,368	
5		Wages and Salaries	4	
258		Allowances	263	
572		National Insurance	555	
127		Superannuation	127	
250	4,562	Agency Staff	252	4,569
		Indirect Employee Expenses		
		Premises Costs		
305		Rents	305	
184		Rates	189	
57		Energy Costs	47	
20		Water Services	20	
35		Cleaning & Domestic Supplies	35	
15		Building Repairs, Alterations & Maintenance	15	
8		Grounds Maintenance Costs	8	
5	629	Premises Insurance	5	624
		Transport Costs		
90		Public Transport	28	
0		Car Allowances	62	
0		Contract Hire & Operating Leases	4	
3		Direct Transport Costs	0	
10	103	Transport Insurance	10	104
		Supplies & Services		
250		Postages	262	
212		ICT Equipment	212	
92		Printing, Stationery & Gen Office Exp	101	
34		Legal Fees	34	
28		Equipment, Furniture & Materials	18	
25		Insurance	21	
22		Training, conferences and members SRA	24	
18		Telephones	22	
7		Audit Fees	7	
3		Miscellaneous Expenses	3	
3		Grants & Subscriptions	2	
1	695	Clothes, Uniform & Laundry	1	707
		Third Party Payments		
60		Valuation Appeal Committee	60	
34		Private Contractors	34	
1	95	Medical fees	1	95
		Support Services		
80	80	Central Support Costs	65	65
		Income		
(43)		Customer & Client Receipts	(43)	
(3)	(46)	Interest	(3)	(46)
6,118		Net Expenditure Budgeted	6,118	