

Revenue Budget 2011/12 - 2013/14

4th February 2011

1 Purpose of Report

The purpose of this report is to present to the Board a revenue budget for 2011/12 for approval, with indicative budgets for 2012/13 and 2013/14

2 Local Government Finance Settlement

- 2.1 The Chancellor of the Exchequer announced the UK Spending Review for 2011-2015 on 20th October, 2010. On 17th November, 2010, the Scottish Government announced a draft budget for 2011/12 only. As anticipated, the Scottish budget includes a reduction in funding to Local Government. Local Government's share of the total Scottish Government budget is broadly maintained at 2010/11 levels.
- 2.2 The provisional Local Government Finance Settlement provides for an average reduction of 2.6% in cash terms for revenue funding provided to local authorities for 2011/12 compared to 2010/11. There are a number of conditions, which councils must satisfy in order to restrict the budget reduction to their base figure. In the event that individual councils do not meet these conditions, a further budget reduction of 3.8% will be applied. None of the conditions refer specifically to services provided by the Lothian and Valuation Joint Board.

3 Background

- 3.1 The 2010/11 revenue budget approved by the Board at its meeting in February 2010 recognised the uncertainty around public sector finances for 2011/12 and beyond with the Board noting indicative budgets only beyond 2010/11.
- 3.2 At this meeting the Board approved a 2010/11 budget of £6,373,717; and noted an indicative budget for 2011/12 of £6,417,265 (an increase of £43,548, 0.68%); and an indicative budget for 2012/13 of £6,580,091 (an increase of £162,826, 2.54%).
- 3.3 The draft Scottish Parliament budget is for 2011/12 only. Based on the Chancellor of the Exchequer's announcement of the UK Spending Review, a 4% cash reduction is anticipated in local government funding by 2013/14. It is currently anticipated that this reduction will be profiled as follows: 2011/12 (2.6%), 2012/13 (0.6%) and 2013/14 (0.8%).

- 3.4 The Board's revenue budget for 2011/12 - 2013/14 has been prepared assuming a 4% cash reduction by 2013/14. For service reasons, the Assessor has prepared a three year budget which has identified savings of 3.3% in 2011/12, 0.07% in 2012/13 and 0.62% in 2013/14.

4 Proposed Budget 2011/12

- 4.1 The proposed budget for 2011/12 totals £6,163,390 a reduction of £210,327 (3.30%) from the approved budget for 2010/11 of £6,373,717.
- 4.2 The analysis of budget change shown at Appendix 1 details movement between the approved budget for 2010/11 and the proposed budget for 2011/12.
- 4.3 Key budget provision within the base budget include:
- (a) budget pressures in respect of uplifts for staff increments etc, superannuation, and insurance costs totalling £45,712. This includes an increase of £15,000 in respect of the actuarial valuation at 31st March, 2008 which set the appropriate employer's rates to meet future year pension commitments. The 2010/11 budgeted rate was 20.5% and the rates for the three year budget period are: 2011/12 21%, 2012/13 21.5% and an estimated increase to 22% for 2013/14. The next actuarial valuation is due in March 2011.
 - (b) budget reductions totalling £256,039 in respect of employee vacancy control £184,862; a reduction in temporary staff costs £4,377; a reduction in property costs £57,000 in respect of repairs and rates; and lower staff travel costs £9,800. There is no provision for an April 2011 pay award in the proposed 2011/12 budget.
- 4.4 The proposed revenue budget of £6,163,390 represents a decrease in budgeted expenditure of £253,875 from the indicative 2011/12 budget of £6,417,265 approved by the Board at its meeting on 5th February, 2010.

5 Indicative Revenue Budget 2012 - 2014

- 5.1 As noted in paragraph 3.3, the budget for 2011/12 - 2013/14 has been prepared assuming a 4% reduction by 2013/14. The Assessor has prepared a three-year service plan which aims to integrate the direction of the service over the next three years with the revenue budget. The service plan will be considered elsewhere on this agenda. Over the coming years the focus will be on improving service delivery and creating efficiencies through improved work practices and procedures.
- 5.2 General budgetary uplifts within the indicative budgets include increases for anticipated increments and superannuation; and an uplift for rates. There are also savings in respect of non-filling of staff vacancies; property; and supplies and services costs within the two years. Provision for April 2012 and April 2013 pay awards have not been made in the Indicative Budgets.

- 5.3 Given this, the indicative base budget for 2012/13 is £6,158,960, a small decrease of £4,430 (0.07%) over the proposed budget of £6,163,390 for 2011/12.
- 5.4 The indicative revenue budget for 2012/13 of £6,158,960 represents a decrease in budgeted expenditure of £421,131 (6.40%) from the indicative 2012/13 budget of £6,580,091 approved by the Board at its meeting on 5th February, 2010.
- 5.5 The indicative base budget for 2013/14 is £6,120,702, a decrease of £38,258 (0.62%) from the indicative budget of £6,158,960 for 2012/13.
- 5.6 A summary of the indicative budgets for 2012/13 and 2013/14, showing budget movements between years, are shown in Appendices 3 and 4.
- 5.7 Costs incurred by the Lothian Valuation Joint Board are apportioned to constituent councils in accordance with the number of dwellings valued for Council Tax and the number of non-domestic rateable subjects in each area. The apportionments for the three year period 2011/12 - 2013/14 are based on the Constituent Councils share of relevant GAE per a Scottish Government analysis of Finance Circular 14/2010 published on 9th December 2010.
- 5.8 The requisitions which would be made to constituent authorities should the Board approve the budgets for 2011/2012 - 2013/14 at the levels presented are shown in Appendix 5. The figures for 2012/13 and 2013/14 are indicative only.

6 Budget Flexibility and Risk Analysis

- 6.1 The Board has the ability to carry forward unspent requisitions made by constituent authorities in any one year as creditor or provision and thereby enable the Board to provide for a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing, and a contingency to cushion the impact of unexpected events or emergencies.
- 6.2 As noted by the Board at its meeting on 29th November, 2010 to consider the Final Accounts for 2009/10, there are no unspent requisitions carried forward to 2010/11. As reported at this meeting, the Board also noted that the 2010/11 outturn is projected to be £196,000 below budget, this may be used to facilitate the introduction of voluntary retirement and early release options. This will be addressed when the Board meets to consider the final accounts in June 2011.
- 6.3 A detailed risk analysis has been undertaken as part of the 2011-2014 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, however, can be quantified:
- (i) Pay Awards - a 1% uplift in pay awards equates to an increase of £43,848 per annum;
 - (ii) The Electoral Administration Act 2006 place additional duties upon Electoral Registration Officers, particularly as regards efforts to maximise registration;
 - (iii) Year on year there is an increasing use of postal voting by the electorate which causes an additional burden on postal expenditure;

- (iv) Local Government Finance Review - this could potentially take effect in 2012/13 with the financial consequences dependant on any changes to local taxes introduced by the Scottish Government;
- (v) Individual Electoral Registration Duties - this is due to be introduced in 2014 to be effective for the 2015 Westminster General Election and will significantly increase the electoral administration workload. Moving from household to individual canvass will also give rise to potentially substantial increased expenditure in relation to postages, printing, stationery and data storage costs;
- (vi) The 2010 Revaluation Roll - this has resulted in a substantial rise in the number of revaluation appeals lodged and will result in greater litigation costs for the resolution of these appeals;
- (vii) Future inflationary pressures - there is a risk that the financial settlement from the Scottish Government does not adequately cover the cost of inflation and increasing demand for service. The risk relates to uncertainties in the level of resources provided to support the Board in future financial settlements from 2012/13. The current settlement covers the one-year period to March 2012 only;
- (viii) uncertainty in respect of future pay restraints.

6.4 If required, representations will be made to the Scottish Government for recognition of any spending pressures arising from consultation on the possible replacement of Council Tax, and similarly representation shall be made to the Ministry of Justice in respect of Electoral registration changes.

6.5 The Board's Standing Orders allow the Assessor to vire money between one budget head and another, always providing that the total approved budget is not overspent or expected to be overspent. This allows the Assessor to take corrective action to respond to emerging pressures and to redirect any budget underspends to service priorities within each financial year.

6.6 The Board has an established track record of managing expenditure pressures within its budgetary provision. Close monitoring of the financial position of the Board will be maintained taking account of financial risks inherent in the budget process.

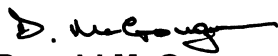
7 Recommendations

The Board is recommended to:

- i) approve the proposed budget for 2011/12 and agree the Treasurer be authorised to requisition the individual constituent councils for amounts as follows:

Constituent Council	Requisition 2011/12 £
City of Edinburgh	3,773,227
Midlothian	559,636
East Lothian	679,205
West Lothian	1,151,322
Total	6,163,390

- ii) approve the indicative budgets and requisitions for 2012/13 and 2013/14 as set out in Appendices 3 - 5; and
- iii) note the risks identified in paragraph 6.3.


Donald McGougan
Treasurer
27/01/2011

Appendices 1 - 5

Contact/tel Ian Knowles: 0131 469 3173

Background papers Held at offices of the Treasurer and the Assessor

APPENDIX 1**LOTHIAN VALUATION JOINT BOARD****ANALYSIS OF BUDGET CHANGE 2011/12**

	£	£	%age Change on 2010/2011 Approved Budget
APPROVED BUDGET 2010/2011		6,373,717	
1 Budget Pressures			
1.1 Salary increments, etc	29,312		
1.2 Revised actuarial valuation	15,000		
1.3 General and vehicle insurance	<u>1,400</u>		
		45,712	0.72%
2 Budget Reductions			
2.1 Employee vacancy control	(184,862)		
2.2 Temporary staff	(4,377)		
2.3 Property :			
Repairs and maintenance	(15,000)		
Rates	<u>(42,000)</u>	(57,000)	
2.4 Transport - staff travel		<u>(9,800)</u>	
		(256,039)	(4.02%)
PROPOSED BUDGET 2011/2012		<u>6,163,390</u>	<u>(3.30%)</u>
PROPOSED BUDGET 2011/2012. DECREASE ON 2010/2011			(210,327)
PROPOSED BUDGET 2011/2012. % AGE DECREASE ON 2010/2011			(3.30%)

LOTHIAN VALUATION JOINT BOARD

APPENDIX 2

SUBJECTIVE ANALYSIS

2010/11		2011/12
	Employee Costs	
3,595,394	Salaries and Wages	3,466,435
721,971	Superannuation	714,279
272,918	National Insurance	264,642
6,773	Allowances	6,773
121,000	Pension Costs	121,000
4,718,056		4,573,129
	Premises costs	
47,500	Repairs and Maintenance	32,500
57,000	Energy Costs	57,000
305,200	Rents	305,200
204,000	Rates	162,000
5,000	Building insurance	5,000
15,500	Water	15,500
34,000	Cleaning	34,000
668,200		611,200
	Transport Costs	
600	Fuel	600
2,300	Vehicle Hire	2,300
9,300	Vehicle Insurance	9,700
130,668	Public Transport	120,868
142,868		133,468
	Supplies and Services	
44,000	Operational Equipment and Materials	44,000
1,000	Clothing and Laundry	1,000
55,000	Printing and Stationery	55,000
15,000	Advertising	15,000
40,000	Legal Fees	40,000
15,400	Telephone Charges	15,400
216,000	Computer Equipment	216,000
260,000	Postages	260,000
32,000	Conference and Subsistence	32,000
25,000	Insurance	26,000
3,000	Subscriptions	3,000
16,550	Miscellaneous Expenses	16,550
722,950		723,950
	Third Party Payments	
34,500	External Contractors	34,500
45,000	Other Agencies	45,000
79,500		79,500
	Support Services	
80,000	Central Support Costs	80,000
7,800	Service Level Agreements	7,800
87,800		87,800
6,419,374	Gross Expenditure	6,209,047
	Income	
42,657	Customer and Client Receipts	42,657
3,000	Interest on Revenue Balances	3,000
45,657		45,657
6,373,717	Net Expenditure	6,163,390

APPENDIX 3

LOTHIAN VALUATION JOINT BOARD

INDICATIVE BUDGET 2012/13

YEAR 2

ANALYSIS OF BUDGET CHANGE 2012/13

	£	£	%age Change on 2011/2012 Proposed Budget
PROPOSED BUDGET 2011/12		6,163,390	
1 Budget Pressures			
1.1 Salary increments.	14,702		
1.2 Rates	4,000		
1.3 General and vehicle insurance	1,400		
1.4 Revised actuarial valuation.	<u>19,000</u>	39,102	0.63%
2 Budget Reductions			
2.1 Employee vacancy control	(19,532)		
2.2 Supplies and services - computer equipment	<u>(24,000)</u>	(43,532)	(0.71%)
INDICATIVE BUDGET 2012/2013		<u>6,158,960</u>	<u>(0.07%)</u>
INDICATIVE BUDGET 2012/2013. DECREASE ON 2011/2012			(4,430)
INDICATIVE BUDGET 2012/2013. % AGE DECREASE ON 2011/2012			(0.07%)

APPENDIX 4**LOTHIAN VALUATION JOINT BOARD****INDICATIVE BUDGET 2013/14****YEAR 3****ANALYSIS OF BUDGET CHANGE 2013/14**

	£	£	%age Change on 2012/2013 Indicative Budget
INDICATIVE BUDGET 2012/13		6,158,960	
1 Budget Pressures			
1.1 Salary increments.	15,242		
1.2 Rates	5,000		
1.3 Revised actuarial valuation.	<u>21,000</u>	41,242	0.67%
2 Budget Reductions			
2.1 APTC overtime	(15,000)		
2.2 Property - ground maintenance	(2,500)		
2.3 Supplies and Services :			
Operational equipment	(10,000)		
Furniture	(11,000)		
Advertising	(5,000)		
Legal fees	(10,000)		
Postages	(15,000)		
Conference and subsistence	(10,000)		
Hospitality	<u>(1,000)</u>		
	<u>(62,000)</u>	(79,500)	(1.29%)
INDICATIVE BUDGET 2013/2014		<u>6,120,702</u>	<u>(0.62%)</u>
INDICATIVE BUDGET 2013/2014. DECREASE ON 2012/2013			(38,258)
INDICATIVE BUDGET 2013/2014. % AGE DECREASE ON 2012/2013			(0.62%)

LOTHIAN VALUATION JOINT BOARD

APPENDIX 5

REQUISITIONS FROM CONSTITUENT COUNCILS

PROPOSED BUDGET 2011/2012

YEAR 1

	Total £	Edinburgh £	Mid £	East £	West £
2010/2011 Requisitions	6,373,717	3,924,299	576,821	700,471	1,172,126
2011/2012 Requisitions	6,163,390	3,773,227	559,636	679,205	1,151,322
Increase/(Decrease)	(210,327)	(151,072)	(17,185)	(21,266)	(20,804)
Increase/(Decrease) Percentage	(3.30%)	(3.85%)	(2.98%)	(3.04%)	(1.77%)
GAE Percentage	100.00%	61.22%	9.08%	11.02%	18.68%
Requisition Percentage	100.00%	61.22%	9.08%	11.02%	18.68%

INDICATIVE BUDGET 2012/2013

YEAR 2

	Total £	Edinburgh £	Mid £	East £	West £
2011/2012 Requisitions	6,163,390	3,773,227	559,636	679,205	1,151,322
2012/2013 Requisitions	6,158,960	3,770,515	559,234	678,717	1,150,494
Increase/(Decrease)	(4,430)	(2,712)	(402)	(488)	(828)
Increase/(Decrease) Percentage	(0.07%)	(0.07%)	(0.07%)	(0.07%)	(0.07%)
GAE Percentage	100.00%	61.22%	9.08%	11.02%	18.68%
Requisition Percentage	100.00%	61.22%	9.08%	11.02%	18.68%

INDICATIVE BUDGET 2013/2014

YEAR 3

	Total £	Edinburgh £	Mid £	East £	West £
2012/2013 Requisitions	6,158,960	3,770,515	559,234	678,717	1,150,494
2013/2014 Requisitions	6,120,702	3,747,093	555,760	674,501	1,143,348
Increase/(Decrease)	(38,258)	(23,422)	(3,474)	(4,216)	(7,146)
Increase/(Decrease) Percentage	(0.62%)	(0.62%)	(0.62%)	(0.62%)	(0.62%)
GAE Percentage	100.00%	61.22%	9.08%	11.02%	18.68%
Requisition Percentage	100.00%	61.22%	9.08%	11.02%	18.68%