

Revenue Budget 2012/13

3 February 2012

1 Purpose of Report

The purpose of this report is to present to the Board a revenue budget for 2012/13 for approval.

2 Local Government Finance Settlement

- 2.1 The Cabinet Secretary for Finance, Employment and Sustainable Growth announced provisional revenue and capital funding allocations to local authorities for 2012-2015 in the Local Government Finance Settlement on the 8th December 2011. This provides allocations for 2012/13 and spending plans for the following two years. Local Government's share of the total Scottish Government budget is broadly maintained at 2011/12 levels.
- 2.2 The Local Government Finance Settlement confirmed the Spending Review which indicated that revenue funding has been maintained at 2011/12, "flat cash", levels for the next three years. Councils are, however, expected to identify additional savings of around 1.5% to 2% in 2012/13 from within this "flat cash" settlement to meet various commitments including continuation of the Council Tax freeze and contributions to Change Funds for Health and Early Years.

3 Background

- 3.1 The 2011/12 revenue budget approved by the Board at its meeting in February 2011 is £6,163,390. Budget planning assumptions reported at that meeting were for a 4% cash reduction by 2013/14 phased as follows: 2011/12 (3.3%), 2012/13 (0.07%) and 2013/14 (0.63%).
- 3.2 In view of the additional commitments included within the Spending Review 2011, the budget planning assumptions have been updated with phasings of the 4% cash reduction being accelerated as follows: 2011/12 (3.3%), and 2012/13 (0.7%).

4 Proposed Budget 2012/13

4.1 The proposed budget for 2012/13 is shown in Appendix 2 and totals £6,118,396; a reduction of £44,994 (0.7%) from the approved budget for 2011/12 of £6,163,390. This meets the accelerated savings requirement referred to in paragraph 3.2 above.

4.2 The analysis of budget change shown at Appendix 1 details movement between the approved budget for 2011/12 and the proposed budget for 2012/13.

4.3 Key budget provision within the base budget includes:

(a) budget pressures totalling £82,715 mainly in respect of increments and superannuation costs £39,959; printing costs £18,300 as a result of a realignment to reflect current demand/forecast in respect of increased Electoral Registration activity; and payments to the Valuation Appeals Committee £15,000 to meet increased costs resulting from the disposal of large numbers of revaluation and material change of circumstances appeals.

In line with Scottish Government pay policy, there is no provision for pay awards in the proposed 2012/13 budget.

(b) budget reductions totalling £127,709 in respect of employee vacancy control £35,241; a reduction in staff travel costs £20,168; and reduced supplies and services, and support costs totalling £72,300.

4.4 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 apportionment for the period 2012/13 is based on the constituent councils shares of relevant GAE lines in the Finance Circular 14/2010 and will be revised during the 2013/14 budget process.

4.5 The requisitions which would be made to constituent authorities should the Board approve the budgets for 2012/2013 at the levels presented are shown in Appendix 3.

5 Budget Flexibility and Risk Analysis

5.1 The Board has the ability to carry forward unspent requisitions made by constituent authorities in any one year as a creditor or provision, and thereby enable the Board to provide for a working balance to help cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing, and provide a contingency to cushion the impact of unexpected events or emergencies.

5.2 At an earlier item on this agenda, the Board was asked to approve a recommendation that the 2010/11 and 2011/12 underspendings be carried forward to 2012/13. This carry forward will be used to meet costs arising from the acceptance of voluntary staff release measures.

- 5.3 A detailed risk analysis has been undertaken as part of the 2012/13 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 £45,000 per annum;
 - (ii) The Electoral Administration Act 2006 place additional duties upon Electoral Registration Officers, particularly as regards efforts to maximise registration;
 - (iii) The date for the postal vote identifier refresh has still to be decided and will result in additional spending pressures. Proposed expenditure for 2012/13 reflects recent trends and does not reflect this potential additional burden;
 - (iv) Local Government Finance Review – while this is unlikely to impact during 2012/13, the financial impact is dependant on any changes to local taxes introduced by the Scottish Government and could potentially be considerable;
 - (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. If this change proceeds, the initial preparation work will commence during 2012/13;
 - (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. In addition, the economic climate and the effect this has on the rental market, has led to large numbers of material change of circumstances appeals being lodged. The disposals of these, together with an uncertainty in legal interpretations, give rise to additional costs.
- 5.4 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.
- 5.5 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.
- 5.6 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.

6 Recommendations

The Board is recommended to:

- i) approve the proposed budget for 2012/13 and agree the Treasurer be authorised to requisition the individual constituent councils for amounts as follows:

Constituent Council	Requisition 2012/13 £
City of Edinburgh	3,745,681
Midlothian	555,551
East Lothian	674,247
West Lothian	1,142,917
Total	6,118,396

- ii) approve the carry forward of the 2010/11 and 2011/12 underspends to 2012/13 to meet costs in respect of voluntary release measures; and
- iii) note the risks identified in paragraph 5.3.

Karen Kelly,
Treasurer

Appendices	1 - 3
Contact/tel	Ian Knowles: 0131 469 3173
Background papers	Held at offices of the Treasurer and the Assessor

LOTHIAN VALUATION JOINT BOARD

ANALYSIS OF BUDGET CHANGE 2012/13

	£	£	%age Change on 2011/2012 Approved Budget
APPROVED BUDGET 2011/2012		6,163,390	
1 Budget Pressures/Realignment			
1.1 Revised actuarial valuation - superannuation	23,000		
1.2 Printing costs	18,300		
1.3 Salary increments	16,959		
1.4 Valuation Appeals Committee	15,000		
1.5 Rates	4,000		
1.6 Electricity	2,250		
1.7 Early retirement - pension payments	2,000		
1.8 Employers national insurance rates	900		
1.9 Budget realignment (net)	<u>306</u>		
		82,715	1.34%
2 Budget Reductions			
2.1 Employee vacancy control	(35,241)		
2.2 Transport - staff travel and vehicle hire	(20,168)		
2.3 Supplies and Services:			
Postages	(25,000)		
Furniture	(16,000)		
Stationery	(9,500)		
Legal fees	(6,000)		
Conference	(5,000)		
Insurance	<u>(1,000)</u>		
		(62,500)	
2.4 Support services	<u>(9,800)</u>		
		(127,709)	(2.07%)
PROPOSED BUDGET 2012/2013		<u>6,118,396</u>	<u>(0.73%)</u>
PROPOSED BUDGET 2012/2013. DECREASE ON 2011/2012			(44,994)
PROPOSED BUDGET 2012/2013. % AGE DECREASE ON 2011/2012			(0.73%)

LOTHIAN VALUATION JOINT BOARD

APPENDIX 2

SUBJECTIVE ANALYSIS

2011/12		2012/13
	Employee Costs	
3,466,435	Salaries and Wages	3,451,093
714,279	Superannuation	726,695
264,642	National Insurance	273,242
6,773	Allowances	4,773
121,000	Pension Costs	123,000
4,573,129		4,578,803
	Premises costs	
32,500	Repairs and Maintenance	32,500
57,000	Energy Costs	52,250
305,200	Rents	305,200
162,000	Rates	169,500
5,000	Building insurance	5,000
15,500	Water	15,500
34,000	Cleaning	33,000
611,200		612,950
	Transport Costs	
600	Fuel	500
2,300	Vehicle Hire	3,000
9,700	Vehicle Insurance	9,700
120,868	Public Transport	100,000
133,468		113,200
	Supplies and Services	
44,000	Operational Equipment and Materials	28,000
1,000	Clothing and Laundry	1,000
55,000	Printing and Stationery	70,500
15,000	Advertising	15,000
40,000	Legal Fees	34,000
15,400	Telephone Charges	18,000
216,000	Computer Equipment	216,000
260,000	Postages	235,000
32,000	Conference and Subsistence	25,000
26,000	Insurance	25,000
3,000	Subscriptions	3,000
16,550	Miscellaneous Expenses	16,100
723,950		686,600
	Third Party Payments	
34,500	External Contractors	34,500
45,000	Other Agencies	60,000
79,500		94,500
	Support Services	
80,000	Central Support Costs	70,000
7,800	Service Level Agreements	8,000
87,800		78,000
6,209,047	Gross Expenditure	6,164,053
	Income	
42,657	Customer and Client Receipts	42,657
3,000	Interest on Revenue Balances	3,000
45,657		45,657
6,163,390	Net Expenditure	6,118,396

REQUISITIONS FROM CONSTITUENT COUNCILS

PROPOSED BUDGET 2012/2013

	Total £	Edinburgh £	Mid £	East £	West £
2011/2012 Requisitions	6,163,390	3,773,227	559,636	679,205	1,151,322
2012/2013 Requisitions	6,118,396	3,745,681	555,551	674,247	1,142,917
Increase/(Decrease)	(44,994)	(27,546)	(4,085)	(4,958)	(8,405)
Increase/(Decrease) Percentage	(0.73%)	(0.73%)	(0.73%)	(0.73%)	(0.73%)
GAE Percentage	100.00%	61.22%	9.08%	11.02%	18.68%
Requisition Percentage	100.00%	61.22%	9.08%	11.02%	18.68%