

## **Revenue Budget 2013/14**

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**1st February 2013**

### **1 Purpose of Report**

The purpose of this report is to present to the Board a revenue budget for 2013/14 for approval and an indicative budget for 2014/15 for noting.

### **2 Local Government Finance Settlement**

- 2.1 The Cabinet Secretary for Finance, Employment and Sustainable Growth announced revenue and capital funding allocations to local authorities for 2013/14 in the Local Government Finance Settlement on the 27th November 2012.
- 2.2 The Local Government Finance Settlement confirmed the Spending Review which indicated that revenue funding had been maintained at 2011/12, “flat cash”, levels for 2012/13, 2013/14, and 2014/15. The Local Government Finance Settlement effectively represents standstill funding for Local Government, with no new un-earmarked funding announced. Councils are expected to continue the Council Tax freeze.

### **3 Background**

- 3.1 The 2012/13 revenue budget approved by the Board at its meeting in February 2012 detailed a cash reduction of £44,994 (0.7%) from the approved 2011/12 budget and resulted in an approved budget for 2012/13 totalling £6,118,396.
- 3.2 In view of the “flat cash” funding assumption contained within the Spending Review 2011, the budget planning assumption for 2013/14 is for a budget in line with the 2012/13 provision of £6,118,396.

### **4 Proposed Budget 2013/14**

- 4.1 The analysis of budget change shown at Appendix 1 details movement between the approved budget for 2012/13 and the proposed budget for 2013/14.
- 4.2 The proposed budget for 2013/14 is shown in Appendix 2 and totals £6,118,396. Key budget provisions within this proposed budget include:

(a) budget pressures totalling £180,420 mainly in respect of:

- April 2013 pay award 1% and uplifts for increments and pension payments totalling £64,087. The proposed pay award provision in April 2013 is in line with the Scottish Government's position that "2012/13 was to be the last year of a pay freeze and to see modest increases in the years that follow";
- Temporary canvass staff £85,000. This has been previously reported to the Board at its meeting on 3rd September 2012 and is in respect of a requirement to ensure that every household that does not return an electoral canvass form receive a door to door visit. This was identified in the risk analysis carried out for the 2012/13 budget;
- A requirement to undertake an Absent Vote Personal Identifier refresh in accordance with Regulation 60A of the Representation of the People (Scotland) Regulations 2001 as amended. This has resulted in an increased provision for postages of £25,000. This was identified in the risk analysis carried out for the 2012/13 budget;
- An increase in rateable poundage £4,458.

(b) budget reductions totalling £180,420 in respect of employee vacancy control.

- 4.3 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 2013/14 is based on the constituent councils shares of relevant GAE lines in the Finance Circular 11/2011 published on the 8th December 2011.
- 4.4 The requisitions which would be made to constituent authorities should the Board approve the budgets for 2013/2014 at the levels presented are shown in Appendix 3 and remain unchanged from the 2012/13 requisition figures.

## **5 2014/15 Indicative Budget**

As referred to in paragraph 2.2 above, the 2014/15 Indicative Budget reflects the "flat cash" budget proposed for 2013/14 and amounts to £6,118,396. The Assessor is currently preparing a service plan which aims to maintain service delivery within this indicative budget.

## **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 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.

- 6.2 At it's meetings in November 2010 and February 2012, the Board approved a recommendation that the 2010/11 and 2011/12 underspendings be carried forward. This carry forward amounts to £270,000 and will be used to meet costs arising from the acceptance of voluntary staff release measures.
- 6.3 For 2012/13, it is projected that there will be an underspending of £64,000, there is therefore no change to the projected outturn position reported to the Board at its last meeting on the 26th November, 2012. This position will be reviewed following closure of the 2012/13 final accounts.
- 6.4 A detailed risk analysis has been undertaken as part of the 2013/14 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 £42,000 per annum;
  - (ii) The Electoral Administration Act 2006 places additional duties upon Electoral Registration Officers, particularly regarding efforts to maximise registration. The Electoral Commission introduced performance standards for Electoral Registration Officers in 2008 and have been monitoring and reviewing standards since. An increase of £85,000 has been provided in the 2013/14 budget to meet these additional duties, however, any requirement to increase these duties further will require additional funding;
  - (iii) The date for the postal vote identifier refresh has been provisionally set for Autumn 2013. £25,000 has been provided in the 2013/14 budget, however, this will require close monitoring;
  - (iv) Local Government Finance Review – while this is unlikely to impact during 2013/14, the financial consequences are dependant on any changes to local taxes introduced by the Scottish Government and could potentially be considerable. Further research is at present being undertaken which could increase the possibility of review;
  - (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. The longer term cost implication of Individual Electoral Registration is as yet unknown and may represent a risk to future funding;
  - (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.

- (vii) A referendum on Scottish independence is due to be held in the autumn of 2014. The inclusion of 16/17 year olds on the electoral register to be used at this referendum will have budgetary implications for the 2013/14 canvass. Details of this and funding arrangements have yet to be finalised and represent a risk to the 2013/14 budget.

- 6.5 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.
- 6.6 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.
- 6.7 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.
- 6.8 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 2013/14 and agree the Treasurer be authorised to requisition the individual constituent councils for amounts as follows:

<b>Constituent Council</b>	<b>Requisition 2013/14 £</b>
City of Edinburgh	3,745,681
Midlothian	555,551
East Lothian	674,247
West Lothian	1,142,917
<b>Total</b>	<b>6,118,396</b>

- ii) note the indicative budget for 2014/15 amounting to £6,118,396;
- iii) note the risks identified in paragraph 6.4.

**Hugh Dunn,**  
Treasurer

**Appendices** 1 - 3

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**Background papers** Held at offices of the Treasurer and the Assessor



# LOTHIAN VALUATION JOINT BOARD

## ANALYSIS OF BUDGET CHANGE 2013/14

	£	£	£	%age Change on 2012/2013 Approved Budget
<b>APPROVED BUDGET 2012/2013</b>			6,118,396	
<b>1 Budget Pressures/Realignment</b>				
1.1 Employee Costs:				
• APTC April 2013 pay award (1% from 1 April 2013)	41,340			
• Salary increments	19,747			
• Temporary canvass staff	85,000			
• Early retirement - pension payments	3,000			
		149,087		
1.2 Postages - Absent Vote Personal Identifier		25,000		
1.3 Rates - increase in poundage		4,458		
1.4 Budget realignment (net)		1,875		
			180,420	2.95%
<b>2 Budget Reductions</b>				
2.1 Employee vacancy control			(180,420)	(2.95%)
<b>PROPOSED BUDGET 2013/2014</b>			<u>6,118,396</u>	<u>0.00%</u>
<b>PROPOSED BUDGET 2013/2014. CHANGE FROM 2012/2013</b>				<b>0</b>
<b>PROPOSED BUDGET 2013/2014. % AGE CHANGE FROM 2012/2013</b>				<b>0.00%</b>

# LOTHIAN VALUATION JOINT BOARD

## APPENDIX 2

### SUBJECTIVE ANALYSIS

2012/13		2013/14
	<b>Employee Costs</b>	
3,451,093	Salaries and Wages	3,446,020
726,695	Superannuation	696,029
273,242	National Insurance	266,300
4,773	Allowances	4,821
123,000	Pension Costs	126,000
4,578,803		4,539,170
	<b>Premises costs</b>	
32,500	Repairs and Maintenance	32,500
52,250	Energy Costs	54,625
305,200	Rents	305,200
169,500	Rates	179,458
5,000	Building insurance	5,000
15,500	Water	15,500
33,000	Cleaning	33,000
612,950		625,283
	<b>Transport Costs</b>	
500	Fuel	500
3,000	Vehicle Hire	3,000
9,700	Vehicle Insurance	9,700
100,000	Public Transport	100,000
113,200		113,200
	<b>Supplies and Services</b>	
28,000	Operational Equipment and Materials	28,000
1,000	Clothing and Laundry	1,000
70,500	Printing and Stationery	70,500
15,000	Advertising	15,000
34,000	Legal Fees	34,000
18,000	Telephone Charges	18,000
216,000	Computer Equipment	216,000
235,000	Postages	260,000
25,000	Conference and Subsistence	25,000
25,000	Insurance	25,000
3,000	Subscriptions	3,000
16,100	Miscellaneous Expenses	16,100
686,600		711,600
	<b>Third Party Payments</b>	
34,500	External Contractors	34,500
60,000	Other Agencies	60,000
94,500		94,500
	<b>Support Services</b>	
70,000	Central Support Costs	72,100
8,000	Service Level Agreements	8,200
78,000		80,300
<b>6,164,053</b>	<b>Gross Expenditure</b>	<b>6,164,053</b>
	<b>Income</b>	
42,657	Customer and Client Receipts	42,657
3,000	Interest on Revenue Balances	3,000
45,657		45,657
<b>6,118,396</b>	<b>Net Expenditure</b>	<b>6,118,396</b>

## REQUISITIONS FROM CONSTITUENT COUNCILS

## PROPOSED BUDGET 2013/2014

	Total £	Edinburgh £	Mid £	East £	West £
2012/2013 Requisitions	6,118,396	3,745,681	555,551	674,247	1,142,917
<b>2013/2014 Requisitions</b>	<b>6,118,396</b>	<b>3,745,681</b>	<b>555,551</b>	<b>674,247</b>	<b>1,142,917</b>
Increase/(Decrease)	0	0	0	0	0
 Increase/(Decrease) Percentage	 0.00%	 0.00%	 0.00%	 0.00%	 0.00%
 GAE Percentage	 100.00%	 61.22%	 9.08%	 11.02%	 18.68%
Requisition Percentage	100.00%	61.22%	9.08%	11.02%	18.68%