

## Revenue Budget 2014/15

---

7<sup>th</sup> February 2014

### 1 Purpose of report

The purpose of this report is to present to the Board the revenue budget for 2014/15 for approval. The report has been prepared in consultation with the Assessor.

### 2 Local Government Finance Settlement

2.1 The Local Government Finance Settlement for 2014/15 was announced on 11th December 2013. Broadly, the Settlement represents a 'flat-cash' settlement.

2.2 Less detail is available for the period 2015/16 and beyond for future Settlements. The consensus of available economic forecasts points to a continuation of recent trends with, in some cases, an absolute reduction in resources being projected in 2016/17 and 2017/18. A budget for 2015/16 will be developed when resource details are clearer. Further updates will be provided in reports throughout 2014/15.

### 3 Proposed Budget 2014/15

3.1 The 2012/13 and 2013/14 Valuation Board budgets totalled £6.118m. Given the nature of the Local Government Finance Settlement 2014/15, the proposed Valuation Board budget has been prepared based on continuation of a "flat cash" requisition for a further year. The constituent council requisition for 2014/15 is therefore proposed to remain unchanged.

3.2 The proposed budget for 2014/15 is shown in Appendix 1 and totals £6.118m.

3.3 Due to the nature of a "flat cash" settlement, the Board will be required to absorb 2014/15 budget pressures including the cost of increments (£0.032m), pay award provision of 1% (£0.041m) and other budget pressures. For 2014/15, these costs represent 2% of the proposed budget. These costs are primarily being managed by removing the budget for two posts vacated via the Voluntary Early Release scheme. The removal of these posts and inclusion of two new Administration posts was reported to the Board in June 2013.

### 4 Constituent Council Requisitions 2014/15

4.1 The 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 2014/15 is based on the constituent council's share of relevant GAE lines in the Finance Circular 11/2011, published on the 8<sup>th</sup> December 2011. Details are included in the following table:

	City of Edinburgh	Midlothian	East Lothian	West Lothian	Total
Requisition 2014/15 (£'000)	£3,745	£556	£674	£1,143	£6,118
GAE (%)	61.22%	9.08%	11.02%	18.68%	100.00%

## 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.
- 5.2 The Board has already approved the retention of the balance of unspent requisitions from 2010/11 to 2012/13 to meet the cost of early release measures. As reported to the Board in November 2013, this balance stands at £0.304m.
- 5.3 A detailed risk analysis has been undertaken as part of the 2014/15 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 £0.041m 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 has been monitoring and reviewing standards since. These performance standards shall be reviewed as a result of the introduction of Individual Electoral Registration. The impact of this is currently unknown;
  - (iii) The Scottish Government's response to the consultation "Supporting Business-Promoting Growth" is unlikely to impact during 2014/15. However, any legislative changes that do arise from this consultation may have significant operational and financial implications. The Board shall be kept apprised as further information is made available;
  - (iv) Individual Electoral Registration Duties - this is due to be introduced in 2014 to be effective for the 2015 Westminster General Election and shall involve significant changes to current electoral registration processes. During the period of transition, increased expenditure has been identified under a number of headings, for example postages, printing, stationery and machinery. While the Cabinet Office is to provide full funding for the additional costs of introducing IER during the years 2014/15 and 2015/16, the longer term cost implications are as yet unknown and may represent an additional budgetary pressure.
- 5.4 Initial consultation took place some years ago with the Scottish Government on revisions to the Council Tax. Whilst nothing has impacted on the Board yet, representations would be made to the Scottish Government if the position changed which resulted in a spending pressure to the Board.

- 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. Close monitoring of the financial position of the Board will be maintained taking account of financial risks inherent in the budget process.

## 6 Recommendations

- 6.1 The Board is recommended to approve the proposed budget for 2014/15 and the issue of requisition requests from the Treasurer to constituent councils as follows:

<b>Constituent Council</b>	<b>Requisition 2014/15 £'000</b>
City of Edinburgh	3,745
Midlothian	556
East Lothian	674
West Lothian	1,143
<b>Total</b>	<b>6,118</b>

- 6.2 Note that an indicative budget for 2015/16 will be developed and reported at a future meeting in 2014/15.
- 6.3 Note the risks identified in paragraph 5.

**Hugh Dunn,  
Treasurer**

---

<b>Appendices</b>	None
<b>Contact/Tel:</b>	Mr. T.MacDonald: 0131 469 3078
<b>Background Papers</b>	Held at the Office of Treasurer

## Appendix 1 - Analysis of Budget Change

	£'000	£'000	£'000	% Change
<b>APPROVED BUDGET 2013/2014</b>			<b>£6,118</b>	
<b>Budget Movement</b>				
1.1 <b><u>Employee Costs:</u></b>				
<b>Pressures</b>				
· Pay Award (1%) - April 2014	£41			
· Salary increments	£32			
· Changes to working hours/other amendments	£8			
· Two new Administration posts	£42			
		£123		2.0%
<b>Reductions</b>				
· Voluntary Early Release savings	-£90			
· Overtime reduced	-£5			
· Early retirement pensions - budget realigned	-£5			
		-£100		(1.6%)
<b>Net employee cost pressure</b>			<b>£23</b>	
<b><u>Other budget adjustments</u></b>				
1.2 Rates – estimated increase in poundage		£5		
1.3 Staff travel budget reduced		-£10		
1.4 Postages budget reduced		-£10		
1.5 Conferences and subsistence budget reduced		-£8		
			<b>-£23</b>	(0.4%)
<b>PROPOSED BUDGET 2014/15</b>			<b>£6,118</b>	

## Appendix 2 – Revenue Budget 2014/15 – Subjective Analysis

Budget 2013/14 £'000      £'000			Budget 2014/15 £'000      £'000	
£3,319		<b><u>Employee Costs</u></b>	£3,350	
£5		Wages and Salaries	£5	
£266		Allowances	£258	
£567		National Insurance	£572	
£127		Superannuation	£127	
£255	<b>£4,539</b>	Agency Staff	£250	<b>£4,562</b>
		Indirect Employee Expenses		
		<b><u>Premises Costs</u></b>		
£15		Building Repairs, Alterations & Maintenance	£15	
£54		Energy Costs	£57	
£305		Rents	£305	
£179		Rates	£184	
£16		Water Services	£20	
£35		Cleaning & Domestic Supplies	£35	
£16		Grounds Maintenance Costs	£8	
£5	<b>£625</b>	Premises Insurance	£5	<b>£629</b>
		<b><u>Transport Costs</u></b>		
£3		Direct Transport Costs	£3	
£100		Public Transport	£90	
£10	<b>£113</b>	Transport Insurance	£10	<b>£103</b>
		<b><u>Supplies &amp; Services</u></b>		
£28		Equipment, Furniture & Materials	£28	
£1		Clothes, Uniform & Laundry	£1	
£92		Printing, Stationery & Gen Office Expenses	£92	
£34		Services	£34	
£488		Telephones, Computer Equipment and Postages	£480	
£29		Expenses	£22	
£3		Grants & Subscriptions	£3	
£37	<b>£712</b>	Miscellaneous Expenses	£35	<b>£695</b>
		<b><u>Third Party Payments</u></b>		
£34		Private Contractors	£34	
£61	<b>£95</b>	Other Agencies	£61	<b>£95</b>
		<b><u>Support Services</u></b>		
£80	<b>£80</b>	Central Support Costs	£80	<b>£80</b>
		<b><u>Income</u></b>		
-£43		Customer & Client Receipts	-£43	
-£3	<b>-£46</b>	Interest	-£3	<b>-£46</b>
	<b>£6,118</b>	<b>Net Expenditure</b>		<b>£6,118</b>