

Report to:	Lanarkshire Valuation Joint Board
Date of Meeting:	4 December 2017
Report by:	Treasurer to Lanarkshire Valuation Joint Board

Subject:	Revenue Budget 2018/2019 – Lanarkshire Valuation Joint Board
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1. Purpose of Report

1.1. The purpose of the report is:-

- ◆ To advise members of the draft budget for the coming financial year (2018/2019).

2. Recommendation(s)

2.1. The Board is asked to approve the following recommendations:-

- (1) that the budget strategy, resulting in the budget of £4.108m being set for 2018/2019, be approved.

3. Background

3.1. For 2017/2018, the Valuation Board's budget was prepared based on a 1.6% reduction in requisitions in line with the budget strategy assumptions utilised by South Lanarkshire Council. This equated to a £0.030m reduction per Council. The pay award and any additional pressures were funded from efficiency savings within the Valuation Board itself. The balance of the funding required (£0.188m) was to be met from monies that had been carried forward from previous years.

3.2. The Government has not yet issued the Local Government Finance Settlement for 2018/2019. However, expectations are that this will likely include further reductions in funding to Councils. This position should be confirmed by late 2017.

3.3. In relation to the Board's budget strategy for 2018/2019, the continued increase in workload across all three key business areas of the Board (Lands Valuation, Council Tax Valuation and Electoral Registration) mean that ways of maintaining service delivery and compliance with statutory duties of the Assessor and Electoral Registration Officer, against a backdrop of budgetary pressures, continue to be reviewed.

3.4. Following the 2017/2018 probable outturn exercise, also presented at this meeting, a balance of £0.215 million is anticipated to be carried forward into 2018/2019.

4. Considerations and Resources

4.1. A number of expenditure and income assumptions have been taken into account in considering a budget for the Board for 2018/2019. These are detailed in sections 5 to 7 below, with the resultant budget shown in Appendix 1.

4.2. The budget proposed by the Treasurer for 2018/2019, before consideration is given to requisitions and use of reserves, is £4.108m and reflects a net increase of £0.020m from the 2017/2018 base budget set. This increase year-on-year reflects additional operational activity anticipated by the Assessor and Electoral Registration Officer including the continued impact of Individual Electoral Registration (IER) as well as an increased level of valuation appeals activity.

4.3. Details of the expenditure, efficiencies and income are detailed in sections 5 to 7 below.

5. Expenditure

5.1. **Employee Costs (increase of £0.098m)** The increase reflects the anticipated pay award, annual increments and competency initiative rises for those staff progressing through their qualifications.

5.2. **Supplies and Services (increase of £0.006m)** The increase reflects inflationary increases in the cost of Computer Maintenance.

5.3. **Administration Costs (increase of £0.051m)** The increase in the budget for the Valuation Appeal Panel (£0.040m) reflects the anticipated costs of activity based on the significant level of appeals received following the recent non domestic Revaluation. The level is an increase on previous appeals received and is based on the anticipated increase in non domestic appeal activity involving Lanarkshire Valuation Appeal Panel.

5.4. In addition, minor inflationary increases are expected in Central Administration (£0.003m), reflecting Information Technology costs, and Postages/Printing and Stationery (£0.003m).

5.5. The anticipated level of budget required for Engaging Counsel has been increased to reflect the anticipated service demand for the year 2018/2019 (£0.005m).

5.6. **Payments to Other Bodies (increase of £0.006m)** This is an increase to cover the additional costs being passed from the Scottish Association of Assessors for the national portal.

6. Efficiencies/Savings

6.1. These areas of additional spend are offset by £0.141m of efficiencies/savings identified by the Assessor and Electoral Registration Officer, in an effort to minimise the impact on the budget. The main elements are noted below:

6.2. **Employee Costs (decrease of £0.108m)** The reduction in employee costs reflects the impact of not filling vacant posts as well as the recruitment of trainee valuation staff/technicians in place of qualified valuation staff. It also assumes a level of turnover.

6.3. **Property Costs (decrease of £0.024m)** The decrease in Accommodation costs is the result of a reduction in the rateable value of LVJB's accommodation as a result of the non domestic revaluation.

6.4. **Administration Costs (decrease of £0.009m)** Training costs have decreased from 2017/2018, reflecting the fact that some of the trainees have achieved their qualifications.

7. Income

7.1. IER Funding from Cabinet Office

Funding for IER has been received from the Cabinet Office in years 2013/2014 to 2017/2018. While no indicative allocations have been provided for 2018/2019, it has been assumed that the funding levels for IER will be similar to those provided in 2017/2018 (£0.316m) which includes core funds and additional money received through a bid mechanism. This is an increase of £0.038m on the 2017/2018 budget figure. This covers ongoing IER expenditure in Employee Costs for temporary canvassers and in Administration Costs for postage, printing and stationery.

7.2. IER is now assumed as mainline income/expenditure moving forward albeit with no long term confirmation of income from the Cabinet Office. This is an area of budget risk.

7.3. **Council Requisition Payments** As noted previously (3.2.), the Local Government Finance Settlement is not expected by Councils until later in 2017. Expectations are that this will likely include further reductions in funding to Councils. Due to the pressure on the Valuation Board service, the 2018/2019 budget is based on no change to requisition payments but the councils have asked the Board to manage pay award and increased revaluation appeal activities within the budget proposed.

8. Budget Summary

8.1. Table 1 below shows the movement from the 2017/2018 base budget detailing the pressures identified moving into 2018/2019 and the efficiencies which will be used to assist in managing them. It also shows the income from both councils.

<u>Table 1 – Movement in Budget from 2017/2018 to 2018/2019</u>	£m	£m
2018/19 Base Budget (rolled forward from 2017/2018)		4.088
Add: Expenditure Increases: (Section 5.)		
<u>Employee Costs (5.1)</u>		
Pay Award, incremental rises etc.	0.093	
Temporary Canvassers	0.005	
<u>Supplies and Services (5.2)</u>		
Computer Equipment Maintenance	0.006	
<u>Administration Costs (5.3)</u>		
Postages/Printing and Stationery/Other Admin	0.006	
Valuation Appeal Panel	0.040	
Engaging Counsel	0.005	
<u>Payments to Other Bodies (5.4)</u>		
SAA Portal	<u>0.006</u>	0.161
Less: Efficiencies/Savings Identified: (section 6.)		
Unfilled Vacancies and Trainee Valuers (6.2)	(0.108)	
Office Accommodation – Rates (6.3)	(0.024)	
Training (6.4)	<u>(0.009)</u>	<u>(0.141)</u>

2018/19 Expenditure Budget **4.108**

Less :

2018/19 Requisitions **(3.626)**

2018/19 IER Funding from Cabinet Office (section 7.) **(0.312)**

Resultant Funding Shortfall **(0.170)**

8.2. After considering the budget pressures, efficiencies/savings and income assumptions noted in sections 5 to 7 above, Table 1 above shows a funding shortfall of £0.170m which requires to be met in order to deliver a balanced budget.

8.3. It is anticipated that this can be met from the monies carried forward in the balance sheet which are expected to be £0.215m at the end of 2017/2018, as detailed in the Revenue Budget Monitoring and Probable Outturn Position 2017/2018 report, also presented to this meeting. This is a reduction of £0.018 on the budget transfer from Reserves in 2017/2018.

8.4. This position has been agreed by both funding councils.

8.5. As noted in 7.1, the budget has been presented based on an anticipated level of income and expenditure assumptions noted in sections 5 to 7. The Board will be kept informed of any change in these assumptions as the year progresses including any anticipated impact on the budget set.

9. Beyond 2018/2019

9.1. As noted in sections 7.1, the 2018/2019 budget being set is based on funding from the Cabinet Office and the use of balances carried forward.

9.2. Based on this budget strategy balances of £0.044m will be available for use moving forward. Compared to the proposed current year draw on Reserves, it is acknowledged that this balance would not meet a full year of funding.

9.3. Moving into the years beyond 2018/2019, discussions between the Treasurer and the Assessor and Electoral Registration Officer will focus on preparing a Strategy to address the anticipated funding gap. On this basis, a 3 year Revenue Budget Strategy will be prepared and will be presented to the Board in March 2018.

10. Employee Implications

10.1. There are no direct employee implications contained within this report.

11. Financial Implications

11.1. The proposed 2018/2019 Revenue Budget for the Valuation Board is £4.108m.

11.2. In order to achieve a balanced budget, a contribution of £0.170m is required from balances carried forward in the balance sheet.

12. Other Implications

12.1. The main risk in setting this budget is that there is no additional IER funding from the Cabinet Office. Discussions with the Cabinet Office will continue in order to seek clarification of funding levels, and the mechanism for providing such funding, to adequately address the additional costs associated with IER.

12.2. An additional risk associated with the Valuation Board's Revenue Budget into 2018/2019 is an overspend as a result of the increased workload across the three main service delivery areas. The risk is managed through four weekly Budget Monitoring Meetings at which any variance is analysed. In addition, the probable outturn exercise ensures early warning for corrective action to be taken where appropriate.

12.3. There are no implications for sustainability in terms of the information contained in this report.

13. Equality Impact Assessment and Consultation Arrangements

13.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

13.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

Paul Manning
Treasurer

2 November 2017

Previous References

◆ None

List of Background Papers

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Lanarkshire Valuation Joint Board

Revenue Budget 2018/2019

Description	2017/18 Base Budget £m	2018/19 Required Budget £m	Budget Movement (Inc) / Dec £m
Employee Costs	2.859	2.849	0.010
Property Costs	0.349	0.325	0.024
Supplies and Services	0.077	0.083	(0.006)
Administration Costs	0.782	0.824	(0.042)
Payments to Other Bodies	0.018	0.024	(0.006)
Financing Charges	0.010	0.010	0.000
Gross Expenditure	4.095	4.115	(0.020)
Income	(0.007)	(0.007)	0.000
Net Expenditure	4.088	4.108	(0.020)
Net Expenditure Budget Funded by :			
Requisition from North Lanarkshire Council	(1.813)	(1.813)	0.000
Requisition from South Lanarkshire Council	(1.813)	(1.813)	0.000
IER Funding – Cabinet Office	(0.274)	(0.312)	(0.038)
Use of Monies held in Balance Sheet (c/f from previous years)	(0.188)	(0.170)	0.018
Net Budget	0.000	0.000	0.000