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**REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 16 NOVEMBER 2018**

**SUBJECT: REVENUE BUDGET MONITORING STATEMENT FOR THE PERIOD 1 APRIL TO 30 SEPTEMBER 2018**

**BY: TREASURER TO THE BOARD**

**1. REASON FOR REPORT**

- 1.1 To consider the Revenue Budget Monitoring Statement for the period 1 April to 30 September 2018.
- 1.2 To consider the Estimated Outturn position for the year 2018/19.

**2 RECOMMENDATION**

**2.1 It is recommended that the Board considers and notes:**

- (i) **The Revenue Monitoring Statement for the period 1 April 2018 to 30 September 2018 and;**
- (ii) **The estimated outturn forecast for the financial year 2018/19.**

**3. CURRENT POSITION**

- 3.1 At its meeting on 26 January 2018 the Board agreed the Revenue Budget for 2018/19 and approved that the requisitions from constituent authorities be set at £4,292,000.
- 3.2 **APPENDIX 1** shows the monitoring position to 30 September 2018. It gives details of the 2018/19 revenue budget, the actual to date and the variance to date. It also shows the estimated outturn and the estimated variance for the year. Total net expenditure to 30 September 2018 is £2,140,000 which results in an underspend against budget to date of £88,000.
- 3.3 To date there is a £95,000 under spend within employee costs. Salaries, including on costs, are £119,000 under spent; £91,000 of this relates to vacant posts.

- 3.4 It was reported at budget setting time that a vacancy management provision would be introduced to take into account the anticipated underspend on salary costs. The credit budget of £52,000 is intended to absorb any variance created by vacancies until there is someone recruited and in post. At the half way point of the year this provision is £26,000. When offset against the underspend in staffing, training and other employee costs, this brings the total employee costs to £95,000 under budget.
- 3.5 The 2018/19 pay award included in the budget is at rates contained in the Public Sector Pay Policy, set out by the Scottish Government in December 2017. The key features of the pay policy, which acts as a benchmark for all major public sector workforce groups across Scotland, are: an increase of 3% for those earning £30,000 or less; a limit of 2% for those earning above £30,000 and below £80,000; limiting the pay increase for those earning £80,000 or more to £1,600. Of the variance in employee costs to date, £28,000 of this relates to the pay award that hasn't yet been agreed or implemented.
- 3.6 The service has recently successfully appointed an Assistant Assessor with an internal secondment after the post became vacant earlier in the year. As a result this has created a Principal Valuer vacancy within the service and it is hoped this can also be filled internally, and the post subsequently vacated would eventually be filled by an external applicant.
- 3.7 Accommodation charges to date are £12,000 over budget; £6,000 of this relates to NDR for the three office locations and a further £9,000 relates to the unbudgeted Land and Buildings Transaction Tax (LBTT), which is a tax applied on the purchase and lease of both residential and non-residential/commercial properties. The LBTT due on the Woodhill House lease was calculated by applying various rates and bands to the Net Present Value of the rent payable under the 10 year lease. There are other minor variances within this heading that reduce the overall overspend.
- 3.8 Transport costs are over budget by £3,000 to date which is a result of canvassing expenditure.
- 3.9 The total expenditure on Supplies and Services is £323,000 which is £8,000 underspent against budget to date of £331,000, with minor overspends and underspends across the headings.
- 3.10 The IT maintenance and support budget shows an overspend to date of £23,000.
- 3.11 When the budget was set in January 2018 an increase in the IT budget was approved to allow for a replacement Electoral Management System (EMS). The capital costs were anticipated to be £31,000 in year one and £31,000 of revenue spread over five years. A further £24,000 of costs were expected in 2018/19, on the basis that the system was operational from August 2018, rising to £32,000 in 2019/20 and £30,000 annually thereafter. Having now been through the procurement process and receiving advice from external IT specialists on appropriate system design, the preferred specification has

changed from a single server option to an infrastructure of 4 host servers. A SAN disk storage replacement wasn't included when costing the EMS project but has now been recommended as part of the implementation, an additional cost of £12,500. In total the EMS project revenue costs will be £43,000 in year one and £10,000 annually thereafter in years two to five. The capital costs, all incurred in year one, are £56,000 and it is recommended that the capital costs are met from the Capital Fund. The current balance of the capital fund is £55,000.

- 3.12 In total the project budget comes within the original five year estimate, excluding the purchase of the SAN replacement. The service has identified a saving within an IT Analyst post that would offset this.
- 3.13 The support services charge is processed at 31 March as part of the year end closedown.
- 3.14 Income from government grants and recharges are expected to be below budget. During budget preparations the Assessor assumed the Individual Electoral Registration (IER) grant would be no less than the amount awarded in the previous year: £151,000. It was considered likely that the level of direct funding would decrease, but the extent was unknown and so a mid-point of £125,000 was agreed for the budget. The Cabinet Office issued a letter in June 2018 setting out the initial grant allocations to Electoral Registration Officers in Scotland for costs relating to IER for 2018/19. The initial grant awarded to Grampian VJB is £102,835. Later in the financial year they will run a Justification Led Bid (JLB) process which will give an opportunity to claim for additional IER-related costs that have been incurred in the year. Any such costs and JLB claims will be reported to future Board meetings.
- 3.15 There are no other significant variances to report at this stage.

#### 4. **ESTIMATED OUTTURN 2018/19**

- 4.1 The revenue budget is expected to be underspent by the year end and at this halfway point in the year the variance is estimated to be an underspend of £108,000.
- 4.2 The largest underspend anticipated is in employee costs, at £108,000. With expected vacancies throughout the year, and the effect that internal recruitment has on vacant posts, the estimated variance in salaries including National Insurance and Superannuation is £160,000. This underspend is reduced by the vacancy management provision of £52,000. Paragraph 3.5 above explains the Public Sector Pay Policy that was budgeted for. That pay award hasn't been accepted and negotiations are ongoing. The latest pay offer is a 3% pay increase for all employees earning up to £80,000, and a flat rate increase of £1,600 for those earning £80,000 and above. The estimated actual figures in Appendix 1 have been calculated on the basis of this revised offer and include it backdated to the 1 April 2018 application date.

- 4.3 Property costs are expected to be £16,000 over budget. As mentioned above, NDR is over budget for the three offices and the renewal of the Woodhill House rental lease incurred an expense for LBTT that wasn't budgeted for.
- 4.4 Supplies and Services are estimated to be £25,000 over budget mainly due to IT projects, in particular the EMS implementation that has altered slightly from the original strategy.
- 4.5 Expenditure to date on postages is below budget to date but depending on how many reminder forms are needed, spend on postages could be less in the second half of the year. At this stage the year end forecast is to be within budget.
- 4.6 Income from sales of the electoral register is difficult to predict with most sales occurring in the second half of the year. The outturn has been estimated at the budget level.
- 4.7 As stated in paragraph 3.14 the IER grant allocation awarded to Grampian VJB this year is £102,835. The Assessor is not yet in a position to estimate if there will be a justification led bid this year.
- 4.8 The estimated outturn as shown in Appendix 1 is an underspend of £36,000.

## **5. CAPITAL FUND**

- 5.1 The Capital Fund was established in 2002/03 using the Boards share from the sale of Woodhill House. The fund was retained in order to assist with any capital expenditure relating to office accommodation. As indicated in paragraph 3.11 the procurement of the new EMS system is in progress and it is proposed that the capital elements are funded from the Capital Fund. The capital costs are expected to be £56,000 this year. In 2017/18 the replacement telephone system was funded from capital in 2017/18 and the remainder of these costs due will be capitalised this year, a further £8,000. The combination of these two capital projects will use up the balance of the Capital Fund altogether, with the balance to come from revenue.

## **6. CONCLUSION**

- 6.1 The total net expenditure as at 30 September 2018 is £2,140,000; an underspend against budget to date of £88,000.
- 6.2 The estimated outturn is an underspend of £36,000.
- 6.3 An update on the estimated outturn and anticipated additional funding from the Cabinet Office will be reported to the Board at the meeting in January 2018.
- 6.4 The Assessor and his Senior Management Team closely monitor and control budgets in order to keep within agreed levels and generate savings wherever possible throughout the year.

Author of Report:  
Background papers:

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