

## Period 4 Financial Statement 2015/16

7<sup>th</sup> September 2015

### 1 Purpose of report

This report summarises the projected revenue budget outturn position to 31<sup>st</sup> March 2016, based on the position at period ending 31<sup>st</sup> July 2015. The report has been prepared in consultation with the Assessor.

### 2 Main Report

#### Projected Revenue Outturn 2015/16

- 2.1 The table below compares projected revenue outturn 2015/16 with the budget. The forecast variance, based on the position at 31<sup>st</sup> July, is an under spend of £0.062m. The table below details forecasts against the Core Budget and Individual Electoral Registration (IER) income/expenditure that is subject to specific grant funding.

	Core Budget			IER Budget			Total		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	P10 Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Expenditure</u></b>									
Employee costs	4,566	4,504	(62)	128	216	88	4,694	4,720	26
Premises costs	624	615	(9)	0	0	0	624	615	(9)
Transport costs	103	99	(4)	5	0	(5)	108	99	(9)
Supplies & Services	711	725	14	191	40	(151)	902	765	(137)
Third Party Payments	95	94	(1)	0	301	301	95	395	300
Support Services	65	65	0	0	0	0	65	65	0
<b>Gross Expenditure</b>	<b>6,164</b>	<b>6,102</b>	<b>(62)</b>	<b>324</b>	<b>557</b>	<b>233</b>	<b>6,488</b>	<b>6,659</b>	<b>171</b>
<b><u>Income</u></b>									
Sales, Fees & Chgs	(43)	(43)	0	0	0	0	(43)	(43)	0
IER Grant	0	0	0	(324)	(557)	(233)	(324)	(557)	(233)
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(46)</b>	<b>(46)</b>	<b>0</b>	<b>(324)</b>	<b>(557)</b>	<b>(233)</b>	<b>(370)</b>	<b>(603)</b>	<b>(233)</b>
<b>Net Expenditure</b>	<b>6,118</b>	<b>6,056</b>	<b>(62)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,118</b>	<b>6,056</b>	<b>(62)</b>

#### Forecasts to 31<sup>st</sup> March 2016

- 2.2 At this stage, the projected outturn against the core budget indicates a forecast spend of £6.056m which would result in a net under spend of £0.062m. The principal reasons for the variance are as follows:

#### (a) Employee cost - under spend £0.062m

This is principally due to an ongoing policy of review and control of vacant posts. In light of current uncertainty surrounding 2016/17 funding levels, staff within the Board have been approached under terms of the Board's Voluntary Early Release Arrangements (VERA) policy. In the event of VERA being exercised the year end forecast may be subject to future revision. The Board has previously approved the retention of unspent requisition to meet any costs associated with early release measures.

- (b) **Premises costs - under spend £0.009m**  
Primarily due to reduced grounds maintenance and building repairs charges. The cost of utilities is currently under review so future forecasts in respect of these may change.
- (c) **Supplies and Services – over spend £0.014m**  
Primarily due to higher telephone charges resulting from increased usage during election periods, the impact of the introduction of IER, and the use of mobile technology for electoral canvass.

**Individual Electoral Registration (IER) – funding available 2015/16; £0.557m**

- 2.3 The table below details the one-off funding available for IER. The current forecast assumes that IER grant will either be fully spent during 2015/16 or any balance carried forward in to 2016/17. A review of costs will also be carried out as part of the development of the 2016/17 revenue budget. This will seek to identify one-off costs and costs of a recurring nature that will impact on the 2016/17 budget.

Income	£'000
IER core grant funding 2015/16	324
IER additional funding 2015/16	19
IER grant funding carried from 2014/15	214
<b>Total</b>	<b>557</b>

- 2.4 As the first household canvass under IER legislation is about to be carried it is difficult at this stage to estimate final costs that may emerge from this exercise. Any under spend for the year will be carried forward in to 2016/17.

**Lowering the voting age to 16**

- 2.5 The Scottish Elections (Reduction of Voting Age) Bill was passed in June 2015 in relation to the reduction of voting age to 16. The Board are acting as lead for five Valuation Joint Boards and one Local Authority in relation to associated key electoral registration ICT developments.
- 2.6 As a result of the funding mechanisms put in place by the Scottish Government, the Board will initially incur the costs associated with this exercise which they then require to reclaim from the Board's Constituent Council's. The draft Local Government Finance Settlement for 2016/17 will be announced in December 2015 and should include a re-determination of funding for this to councils. The Treasurer will notify constituent councils of the draft settlement received in December 2015 and request requisition in Feb 2016 when the costs/settlement is confirmed. Funds require to be transferred from Constituent Council's to the Board prior to 31<sup>st</sup> March 2016.

**Budget 2016/17**

- 2.7 The budget for the past four years for the Lothian Valuation Joint Board has been held at £6.118m. However, as advised in February 2015, the Board's ability to continue to operate at a 'flat cash' position will come under significant pressure from 2016/17 onwards. This is mainly a result of Individual Electoral Registration which becomes 'business as usual' from 2016/17 and Cabinet Office funding ceases. There are also other financial risks associated with the 2017 revaluation, review of council tax and potential changes to the Valuation Roll appeals process which may arise through the Scottish Governments "Supporting Business-Promoting Growth" consultation.

- 2.8 It is difficult to predict at this stage accurately what the ongoing financial impact of IER will be, however an early estimate of costs is around £0.350m-£0.450m per annum. Further work will be carried out as part of the 2016/17 budget process. In addition to this there is also considerable uncertainty facing Local Authorities. Funding projections point to a tightening of the overall fiscal position and potential cash-reductions provided through the Scottish Block grant.
- 2.9 The Assessor and Treasurer will work together to develop a sustainable 2016/17 budget that demonstrates best value and will ensure that the Board continues to provide an equitable, customer focused, high quality, professional valuation and electoral registration services for all its stakeholders. This budget will take in to account the overall financial position facing local authorities and seek to identify options to manage financial pressures arising from this as well from IER and other areas.
- 2.10 Voluntary Early Release (VERA) and Redundancy Schemes were approved by the Board at its meeting on 4th February 2011.
- 2.11 In terms of Section 58 of the Local Government (Scotland) Act 1973, the Board has no specific power to retain reserves. Audit Scotland are currently reviewing this and an update will be provided at a future meeting of the Board. The Board has previously approved the retention of unspent funding contributions from constituent councils to meet future costs associated with early release measures, and, subject to further Board approval, any future unforeseen costs. The balance available to the Board is currently £0.421m at 31<sup>st</sup> March 2014.
- 2.12 In addition to this the Board were also under budget by £0.175m for Financial Year 2014/15 ending 31<sup>st</sup> March 2015.

### **3 Conclusions**

- 3.1 At this stage, there is a projected net under spend of £0.062m relating to Financial Year 2015/16.
- 3.2 The Board has no current power to establish a general reserve; however a creditor has been set-aside to cover the cost of staffing early release measures. The balance available to the Board at 31<sup>st</sup> July 2015 is £0.421m which will rise to £0.596m if the under spend from 2014/15 is retained.

### **4 Recommendations**

- 4.1 The Board is recommended to note the projected outturn position for 2015/16.

**Hugh Dunn,  
Treasurer.**