

Revenue Budget 2016/17 – Board Update

16th November 2015

1 Purpose of report

The purpose of this report is to update the Board on development of the 2016/17 budget. The Board have been updated regularly, most recently in September, regarding 2016/17 budget pressures. These have arisen predominantly due to Individual Electoral Registration (IER).

2 Main Report

Draft Budget 2016/17

- 2.1 The budget for the past four years for the Lothian Valuation Joint Board has been held at £6.118m. During this period the Board has managed budget pressures of £0.467m.
- 2.2 Budget development has been undertaken recognising the budget restraint being implemented across Scottish local government. This position has been reported previously along with the funding uncertainties facing the Board.
- 2.3 A draft 2016/17 budget has been prepared in consultation between the Assessor and Treasurer. This has been prepared so that the Board are aware of the funding pressures emerging prior to a final 2016/17 budget report being presented to the Board for approval in February 2016.
- 2.4 The draft budget for 2016/17 is currently £6.482m. This represents an **increase of £0.364m** to the approved budget 2015/16. This shortfall is wholly attributable to the ongoing cost attributed to IER. IER has been subject of previous reports to the Board, since its introduction in 2014. Whilst further work will be undertaken on the budget between now and February 2016, it is recognised that the position is unlikely to change unless additional IER grant funding is provided by the Cabinet Office for 2016/17.
- 2.5 Should additional IER grant not be received, it is recommended that any budget shortfall 2016/17 arising from IER be managed in 2016/17 on a one-off basis by drawing down from the creditor balance currently held to finance staffing exit costs. The balance available at 31st October 2015 is £0.596m. Although the Assessor and Treasurer recognise the need to move towards a sustainable budget position going forward, the above recommendation provides a managed position for 2016/17. Further work will be under-taken throughout 2016/17 to assess options to move to a sustainable budget.

2.6 The Assessor has under-taken a full review of budgets and staffing requirements as part of this 2016/17 budget process. The table below details the budget pressures facing the Board and the efficiencies built in to part-manage.

Draft Budget 2016/17	£'000	£'000
Core budget pressures (staffing budget increases - additional 0.5% pay award 15/16, increased hours, pay award 16/17, increments)		224
Core budget efficiencies (net reduction of seven posts)		-329
<u>IER budget pressure 2016/17</u>		
- Permanent canvasser/customer support assistant teams	231	
- Other costs (mainly postages and printing)	238	
		469
Budget shortfall 2016/17		364

2.7 In light of the uncertainty surrounding 2016/17 funding levels, staff within the Board were approached under the terms of the Board's Voluntary Early Release Arrangements (VERA) policy. The draft budget 2016/17 builds in £0.329m of efficiencies including a net reduction of seven posts. This reduction in posts is due to a combination of vacancy management (4 posts) and VERA business cases (3 posts). The Assessor considers it a risk to service delivery to approve further VERA applications beyond those currently built in to the draft 2016/17 budget. Updates on the risks facing the Board are provided in section 3.

2.8 The recommendation to adopt a one-year managed position is due to the following key service / risk factors:

- The Board will experience higher demand levels during 2016/17 as a result of the 2016 Scottish Parliament Elections and the 2017 Local Authority Elections;
- It will enable further clarity to be received during 2016/17 on the ongoing service/financial requirements of Individual Electoral Registration. IER is under review and costs of £0.469m currently included in the draft 2016/17 maybe subject to reduction (no increase is expected as a result of the review);
- The Board also require to under-take a full revaluation of non-domestic properties during 2017;
- The impact of potential changes to Council Tax will also be better understood 2016/17.

3 Budget pressures / service risk

3.1 Individual Electoral Registration (IER)

3.1.1 IER setup funding may to cease from 2016/17 onwards. The Board has received £1.2m from the Cabinet Office since 2013/14. However, there remains a cost for "business as usual (BAU)" estimated at £20m UK-wide, of which the Board is currently estimating an ongoing pressure of £0.469m from 2016/17.

3.1.2 The Cabinet Office and Scottish Government are aware of the ongoing financial pressure to Electoral Registration Officers (ERO's). However there is no indication at this stage that additional funding will be provided through the Local Government Finance Settlement. The matter has been raised with COSLA who are progressing the funding issue with the Scottish Government.

3.1.3 Any IER Grant allocations for 2016/17 are unlikely to be known until closer to March 2016.

3.1.4 There are two main elements that contribute to the additional on-going costs of IER; namely **staffing costs and printing/postages**. Some background to these costs is provided below;

- **Postage/Printing** - Firstly when either a Household Enquiry Form (HEF) or the Invitation to Register (ITR) application is issued there is a legal requirement, in the event of non-return, to issue two further reminder forms and to follow up with a doorstep visit. All forms must include a reply paid envelope and the issue of these forms is a weekly activity. During the canvass period every household in Lothian receives a HEF. Secondly, the IER process requires the generation of far more printed and posted material. While this requirement is evident throughout the entire IER process, the most obvious is at canvass periods. Pre IER a returned canvass form could be used to inform the ERO of new electors living at an address, along with various options that individual wished to exercise, for example, postal voting, opt out etc. Under IER, a returned HEF indicating new electors requires each of those electors to be issued with an ITR for completion. Additional material has to be issued should the elector indicate any preference as regards postal voting etc. Both the HEF and ITR forms are in A3 format while the old canvass form was A4.
- **Staffing** - Prior to IER canvassers were only required for a two month period every year in order to support the annual canvass. The period of canvassing has increased and as a result of IER annual canvasser costs have doubled. A permanent team of Customer Support Assistants has also been setup to deal with increased registration matters arising from IER.

3.1.5 Following meetings of an IER Expert Panel chaired by the Cabinet Office and attended by the Chair of the SAA Electoral Registration Committee, the IER process remains under review. This group of ERO's have been brought together by the Cabinet Office to consider changes to improve the IER process for ERO's, to make improvements to the user journey for electors, and to reduce costs and lower the identified £20m nationwide gap. Following consideration of proposals it is the intention to pilot proposed changes within the ERO community. At present no timetable is available but it is unlikely that the effect of any permanent change to IER processes shall have effect during 2016/17. The Board will be updated of outcomes (service and financial) as they arise.

3.2 Revaluation 2017

- 3.2.1 The Scottish Government has requested that the majority of values be available to their statisticians by mid-2016 at the latest with as many as possible ready by early 2016. Valuation Notices shall be issued to all NDR properties by early 2017 and from then work increases a pace dealing with enquiries and appeals. The previous revaluation saw large numbers of appeals lodged. A risk remains as to what appeal levels shall be recorded during 2017.
- 3.2.2 The number of retained professional staff has been decreasing in recent years with two further Valuer and one Senior Technician posts removed as part of the draft 2016/17 budget. Considerable risk would be placed on the 2017 Revaluation and ongoing service delivery, should further staffing reductions take place.

3.3 The Future of Council Tax

- 3.3.1 This represents an area of significant uncertainty. The Scottish Assessors Association (SAA) has contributed to the Scottish Government's Commission investigating Council Tax and possible alternatives. This Commission is due to report at the end of the year, from which the Government shall decide on the way forward.
- 3.3.2 The timetable for implementation may be very quick. If legislation is in place by the end of 2016 it is likely that a new system could be implemented during 2018.
- 3.3.3 In the event that Assessors are requested to become involved in a Council Tax revaluation or the implementation of another form of property tax, it can be expected that any additional funding required for implementation and maintenance would be provided by the Scottish Government. This position also means that it represents a very high risk to consider further reduction in staffing levels for those staff who are currently employed to undertake property valuation. The reduction in knowledge and experience could not be recovered during the short implementation period that is being considered.

4 Budget Flexibility

- 4.1 The Board has the ability to carry-forward unspent requisitions in any one year as a creditor or provision to meet known future commitments. The Board has already approved the retention of the balance of unspent requisitions to meet the cost of staffing early release measures (VERA). As reported to the Board in September this balance stands at £0.596m.
- 4.2 The Board may require to approve the use of this creditor to further fund the approved 2016/17 budget when it is presented in February 2016. The draft 2016/17 budget at this stage would require a drawdown of £0.364m.
- 4.3 The table below details the creditor position based on the draft 2016/17 budget and the Period 7 Financial Statement 2015/16 which is also reported on this agenda. The affordability of further VERA requests will have to be assessed in terms of developing a sustainable budget 2017/18.

	£'000
Balance March 2015	£596
VERA (3) exit costs 2015/16 ¹	(£100)
2015/16 requisition under spend (based on P7) ²	£95
Draft budget shortfall 2016/17 ³	(£364)
Estimated closing balance 31.03.17	£227

¹ Business cases ongoing.

² Estimate based on information at 31st October 2015. Final outturn 2015/16 may differ.

³ Based on draft budget 2016/17 reported in November 2015. Final budget to be presented in February 2016.

5 Recommendations

It is recommended that the Board:

- 5.1 Notes there is a projected shortfall of £0.364m against the draft budget 2016/17, at this stage of budget development;
- 5.2 Consider use of the creditor balance to address the forecast budget shortfall for 2016/17, which arises as a result of IER. If IER grant is subsequently received for 2016/17, it will be applied to reduce the level of drawdown required from the creditor balance;
- 5.3 Notes the Assessor and Treasurer will work together to establish a sustainable budget for 2017/18 with further reports being presented throughout 2016/17.

**Hugh Dunn,
Treasurer.**

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